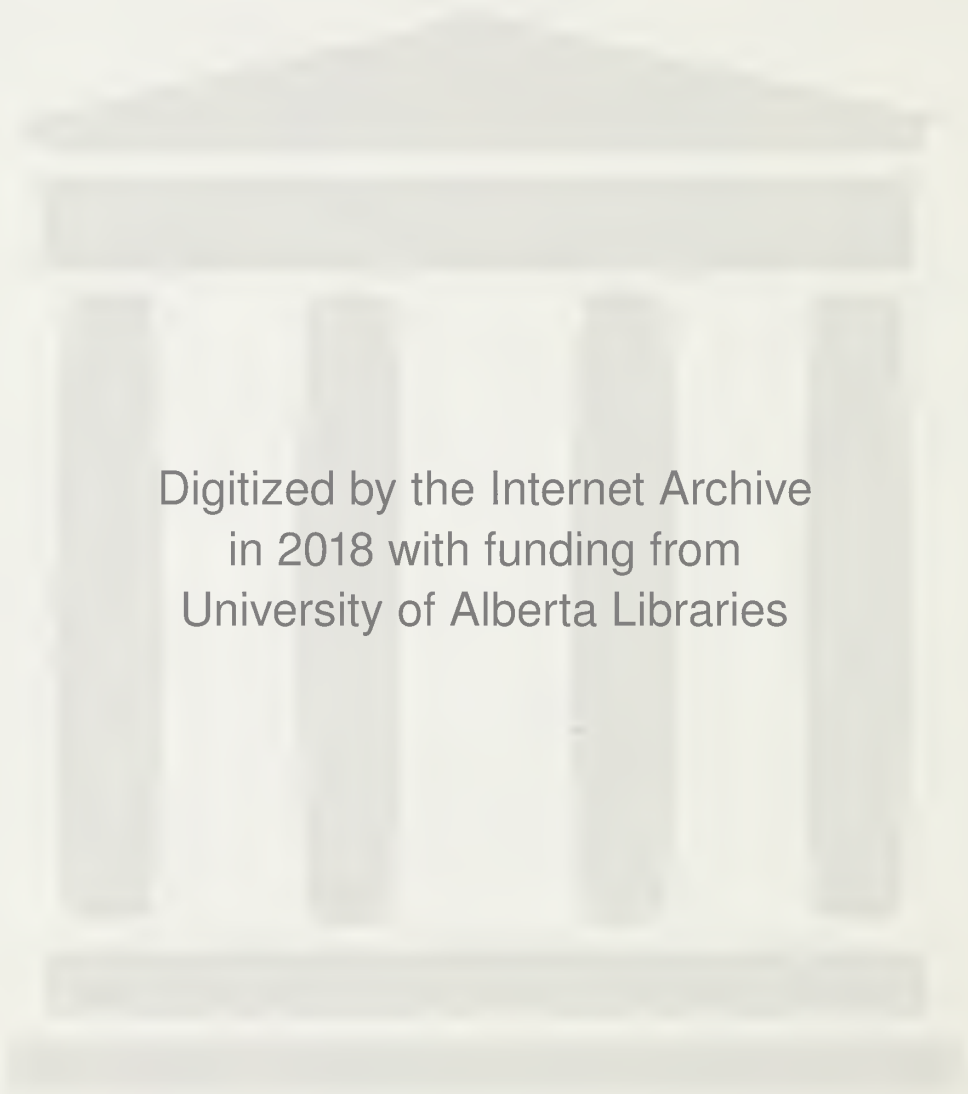
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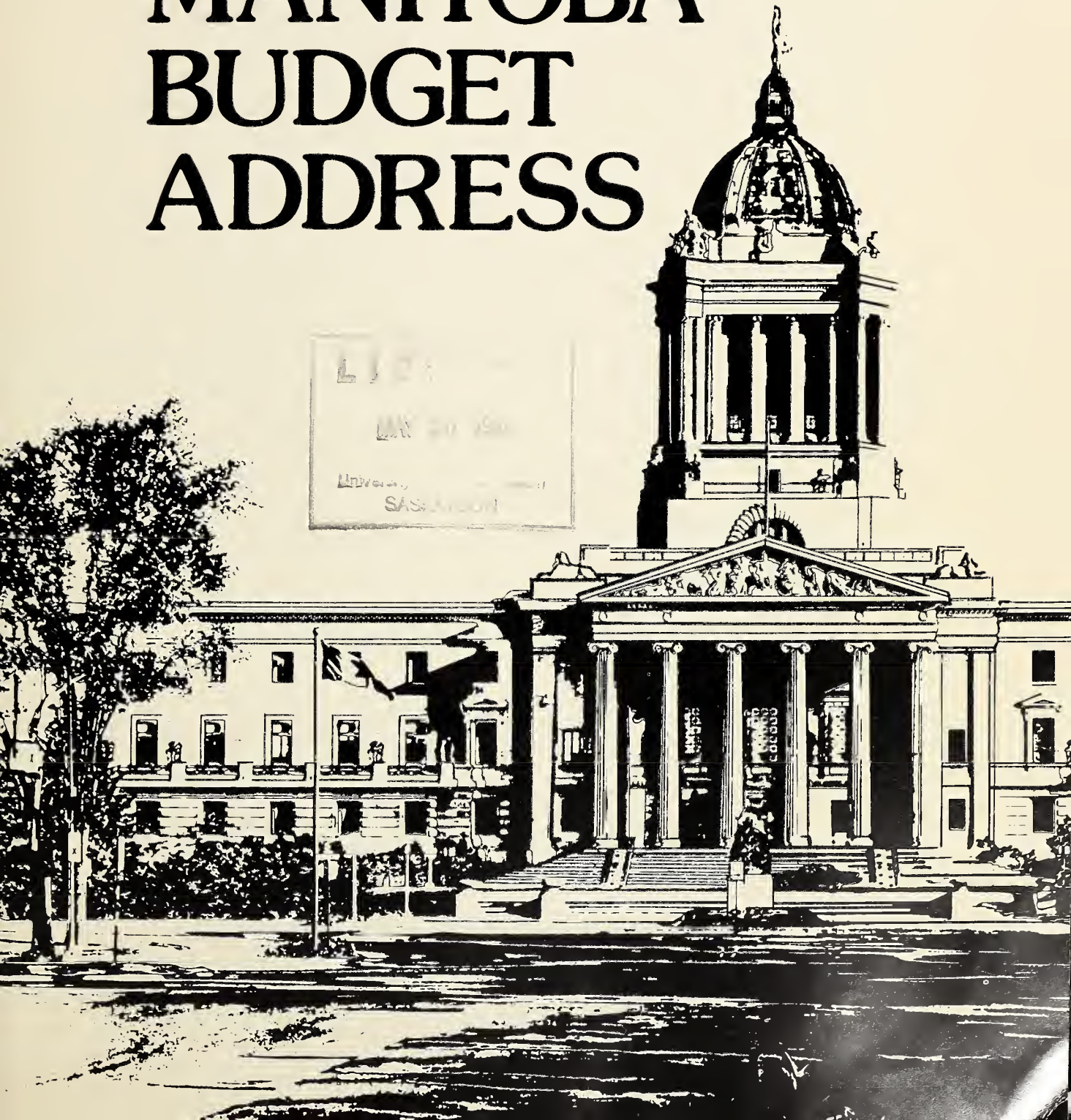

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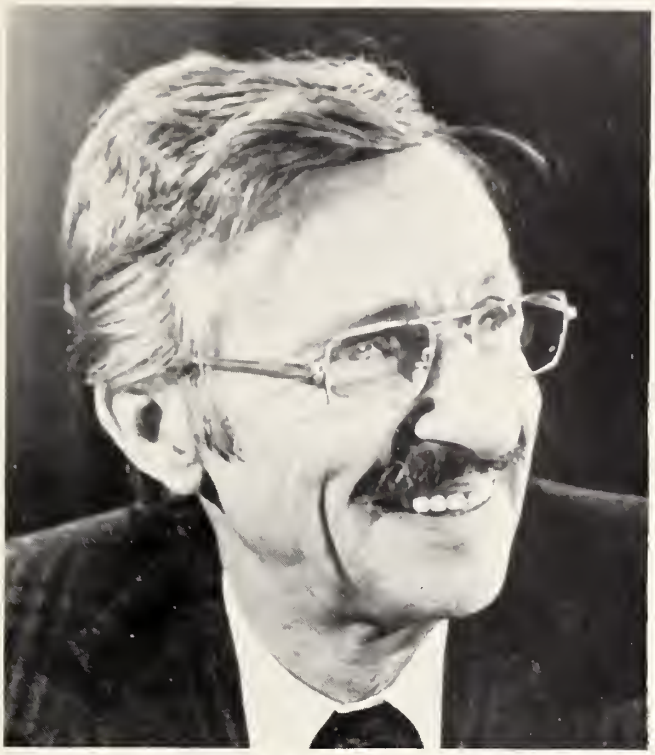

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The Honourable SAUL A. MILLER
Minister of Finance

April 22, 1977

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1977 Manitoba Budget Address

The Honourable Saul A. Miller
Minister of Finance
April 22, 1977

Mr. Speaker:

Today's Budget is the first that I have had the privilege of presenting to this Assembly.

But, although this year's Budget is a "first" for me, it is, in fact, the ninth Budget which our New Democratic Government has put forward since we were elected to office in 1969.

During that time, the Finance portfolio in Manitoba has been held by two other members who have served ably, and with great competence. I am referring, of course, to the First Minister and the Member for St. Johns. The sound financial footing on which our province finds itself today is a tribute to both of them.

Mr. Speaker, before I launch into my remarks, I also wish to express my thanks and appreciation to the Deputy Minister of Finance, the Assistant Deputies, and to the entire staff who have unstintingly given of their time in the evenings, and over weekends to assist me in the preparation of today's Budget.

The years since 1969 have been marked by major changes across the country — and by serious and divisive problems that could not fail to have an impact on every part of Canada.

But, despite the difficulties we have faced, our government's Budgets over the last eight years have presented a record of achievement which we believe is unequalled in the history of Manitoba.

It is a record of which our government is extremely proud, and it is a record on which we will continue to build.

A Record of Achievement

Economic Progress

Statistics prove that under our New Democratic administration, the Manitoba economy has developed at a pace which has outstripped even the boldest forecasts of only a few years ago.

And, they also prove that the citizens of our province are sharing in the benefits of this new development in a way which has significantly enriched their daily lives.

From the start, our government dedicated itself to new goals — **people's goals** — which will forever change the standards by which administrations in Manitoba are judged.

We have sought growth — and we have attained it — but not at the kind of cost previous governments were prepared to accept. We have refused to sacrifice basic principles of equity and social justice — and we have refused to sacrifice the birthright of the people of our province.

The results show clearly that our stand has been right.

- Our natural resources are now being developed in the interests of **Manitobans** — not in the interests of a few, large, multi-national companies. They are no longer being sold out or given away, with almost no return to the citizens of this province who are their rightful owners.
- After years of decline, our vitally-important rural communities are being strengthened once again; they are no longer being told that they are redundant.
- Our elderly people and others on low and fixed incomes can now look forward to a future in which their basic needs will be met — with dignity and much-deserved respect. They are no longer being ignored and shut out of the mainstream of life in our province.
- After decades of neglect, our Northern and Native residents are finally being given a real voice in managing their own affairs, and they are being offered the support and the training necessary to assist them. They are no longer being denied even the most basic services other citizens of Manitoba have come to expect.
- And, across the province, the vast majority of people and their families now know that their needs and their priorities **do** count with a government which doesn't just **say** it represents them, but **proves** it does — in every policy and in every program. No longer can any government in this province argue that what is good for the privileged few and for the big corporations is, by definition, automatically good for **all** the people of Manitoba. It might have worked once, but it won't work anymore.

As I said, Manitoba has changed a great deal since 1969 — and it has changed for the better. Under our government:

— the total output of the provincial economy has more than doubled;
— the same is true of per capita personal income, **before and after taxes;**
— total investment **and private sector investment** have increased by close to 100%;
— over 65,000 new jobs have been created — about 90% more than during an equivalent period under the former government;
— agricultural and mineral production values stand at near record levels, roughly twice as high as in 1969;
— manufacturing and retail sales have also increased by more than 100%;
— about 80,000 new housing units have been built or are under construction — nearly twice as many as under the previous government in its last eight years in office;
— and there are countless other examples.

Many Members of the Assembly will recall that, early in 1969, the former government released a report called **Targets For Economic Development.** While the "TED Report" was criticized on several grounds, it was nevertheless an interesting document — particularly when considered from our own perspective today. The fact is that the "TED Report" set a number of economic targets for Manitoba — targets which it said were "challenging but realistic." It also said that "to reach them, Manitoba's resources will have to be utilized with ambition, vigour and imagination." Well, I can advise the House that **the important "TED" targets for the mid-1970's have been achieved. And some, including the target for per capita personal income — which the "TED Report" said was the most important of all — have been exceeded by a substantial margin.** And, we are clearly "on target" for 1980, as well.

I will table the specific figures at the end of my Address. I commend them particularly

to the members opposite who, when they were in government, set these targets as standards by which **they** wanted **their** performance to be judged.

The Budgetary Record — Programs for People

But, our administration has long argued that traditional economic indicators, while useful, don't tell the whole story about how well a government has served its citizens. We have not been content to look simply at growth statistics and broad averages, and to conclude from them that "all is well."

Our mandate — the reason the people of Manitoba elected us to office — was to bring a **new** approach to government.

Our goal has been to **serve** the people of Manitoba — **all** the people — not just a few.

Our goal has been to ensure that **every** Manitoba family can look forward to a secure and fulfilling life in a province which enjoys all the advantages our country is capable of providing.

And, we have gone a long way towards achieving these goals. In less than eight years, we have been able to implement:

— premium-free health insurance;
— universal nursing home care;
— a broad home care program;
— universal Pharmacare;
— extensive children's day care services;
— a newly-launched dental care plan for children;
— the Office of Ombudsman;
— legal aid and criminal injuries compensation;
— far-reaching consumer protection legislation;
— a massive program of rental housing for elderly and lower-income people;
— new human rights measures;
— a guaranteed income for the elderly;
— a large-scale home repair assistance program;
— a substantial expansion of elementary, secondary, and higher education services;
— major new training and employment programs, particularly for Northern and Native residents;
— construction of vitally-needed infrastructure such as roads and sewage systems in rural and remote areas;
— public automobile insurance;
— reorganization of urban government in the City of Winnipeg, and a large-scale increase in urban assistance through such measures as tax sharing and transit grants;
— special job creation assistance for municipalities;
— expansion of cultural and recreational facilities throughout the province;
— and reform of our tax system — making it, we believe, **the most equitable in any Canadian province;**

And, we have achieved all this — and more — within spending limits which have kept our province's expenditures **among the lowest in the country,**

I want to deal with this point specifically for a moment.

Comparable figures from Statistics Canada prove that of the ten provincial governments, Manitoba's per capita expenditures were the third lowest last year, and that our revenues were the third lowest as well. They also show that since 1969, when our government took office, Manitoba's expenditures have increased significantly **less,** in percentage terms, than the average for all ten provinces. And, the preliminary figures for this year are just as favourable.

Since 1969, our government has raised income taxes only once. That was over seven years ago — when the increase took the form of a tax shift designed to offset a major reduction in Medicare premiums. During the years which followed, we have implemented various types of personal tax reduction measures nearly every year, and we have **maintained** these reductions. They have not been one-time gimmicks.

The basic sales tax rate is unchanged at 5% — the same as it was when we came into office. Of the nine provinces which have sales taxes, our rate equals the lowest. One province has a 10% rate; several have 8%, and even two of the so-called "have" provinces, Ontario and British Columbia, have 7% sales taxes. And, both these provinces collect health insurance premiums as well.

These facts are often conveniently ignored by those who attempt to compare taxes from one province to another. A fair and **complete** comparison clearly shows that tax levels in Manitoba are in line with those of other provinces — and in many cases are appreciably lower.

In fact, no province in Canada — **not a single province** — has lower net personal taxes for average and moderate income families than Manitoba. This has been demonstrated by independent tax studies, and our government is proud of it.

By combining a **fair** taxation system with a responsible and sound system of overall financial management, our administration has been able to maintain public services in our province at a level which we believe is second to none in this country.

And, despite apparent attempts by some to discount our efforts, our government's record continues to be recognized internationally with the highest credit rating Manitoba has ever enjoyed under **any** administration in our history.

Having said this, however, I want to make it clear that we are under no illusions about the difficulties our province faces in the years ahead. Much of what we have achieved in the areas of equitable taxation and the expansion of vital public services could be wiped out at the stroke of a pen, or be allowed to wither away under a government which professes to support our programs, but is not really committed to the principles of equity and social justice. And, many of our economic development gains could also be lost through inaction under an administration which believed that even when people's livelihoods are being threatened, the only appropriate role for a provincial government is to grant tax concessions to large corporations, and then to stand aside and do as little as possible, leaving it to so-called market forces to do what they will.

Manitobans want a government which believes in the future of our province, and in the fundamental right of every citizen to share the benefits which that future promises. And, Manitoba must also have a government which is prepared to take direct and decisive action when it is required to overcome major economic problems — both to preserve the substantial gains our province has already made, and to guarantee that the base we have built will be strengthened and expanded.

Our record proves that we have been that kind of government. By whatever standards we may be judged — by those of the previous government, by those of other provinces, by

those of the international investment community, and by those which we have set for ourselves under the mandate entrusted to us by the people of Manitoba — we know we have accomplished a great deal.

But, despite the underlying strength of our economy, the year ahead promises to be a difficult one both here in Manitoba and across the nation. The problems confronting Canada will severely test every government — at every level.

The challenges are extremely serious, particularly on the economic side, with growing unemployment and the continued threat of inflation. Unfortunately, the options available to a provincial government for dealing with them are quite limited.

Before I proceed to outline the details of our 1977 Budget, I want to review briefly the context in which it has been prepared.

The Economic Situation and Outlook

The Past Year — 1976

In 1976, the Canadian economy recovered somewhat from the virtually "no growth" situation of the previous year. But, as was expected, the recovery was sluggish and uneven. And, although inflation eased towards the end of the year, unemployment began to worsen dramatically.

Inevitably, the economic situation in Manitoba reflected national trends. However, a number of favourable developments were recorded in our province and should be noted at this time.

- Our Gross Provincial Product increased by about 14% to reach slightly over $7.9 billion. As I noted earlier, this is more than double the total output of the Manitoba economy in the year our government took office. Real growth in 1976 was approximately 4%, a significant increase over the 1.4% estimated for the previous year.
- Despite some difficulties in the agricultural and mining industries due to world market conditions, the annual value of primary resource production in Manitoba continued to exceed $1.5 billion in 1976 — again, a level twice as high as was ever achieved before our government took office.
- Total investment last year reached $2 billion for the first time in our history, and the private sector component grew by 16%, exceeding the $1 billion mark, also for the first time.
- The value of building permits issued in 1976 increased dramatically — by 46% over the previous year, to a total of around $433 million.
- Even with the influence of the anti-inflation program, total personal income increased by 13.6% last year, reaching approximately $6.5 billion.
- On an after-tax basis — that is, after all taxes have been taken into account — per capita incomes in Manitoba remained **above** the national average and, in fact, the differential widened in our favour. Before 1975, per capita after-tax income in Manitoba had not matched the Canadian average for fifteen years. We have now exceeded it two years in a row. Claims that Manitoba's taxes are out of line with those of other provinces are **totally false.**
- Although inflation remained high by historic standards in 1976, the rate of increase in the Consumer Price Index declined substantially over the course of the year. By

year-end the rate stood at 6.2%, about half the rate of the peak months in 1975. Recent inter-city comparisons show that, despite the rapid increases of the last few years which have occurred both here and elsewhere, price **levels** in Winnipeg — and in the rest of the province — remain relatively low compared to those in many other parts of Canada.

— Finally, turning to unemployment, Manitoba's average rate for 1976 — around 4.7% — continued to be well below the national average of 7.1%. We retained our comparatively favourable position as the province with the third lowest level of unemployment in the country, and we continue to do so. However, as the national unemployment rate began to increase in the latter part of last year, Manitoba's followed. We have been very disturbed by this trend, and by the failure of the federal government to adopt policies to deal adequately with it. I will have more to say about this later.

A full set of economic statistics for 1976 and previous years will be included with the background material which will be distributed at the conclusion of my remarks.

The Economic Outlook — 1977

I want to turn now to the outlook for the current year.

We are already into the second quarter of 1977, and the severity of Canada's current economic problems is becoming increasingly obvious.

- Most forecasters are predicting a reduced rate of real growth for the national economy in 1977.
- Consumer prices across the nation are increasing once again, apparently in large part because of rising costs of imported food.
- The future of Canada's Anti-Inflation Program remains uncertain.
- The federal government is proposing a major increase in oil and natural gas prices which, if implemented, will have a negative effect on virtually all sectors of the Canadian economy.
- And — most disturbing of all — unemployment across the country is at its highest level in recent history, and many forecasters have predicted that it will worsen in the months ahead if the Government of Canada does not take action on a massive scale to create jobs.

Every one of these national problems will have a direct bearing on Manitoba's own economic performance in 1977. And, their impact could be compounded if weather conditions do not improve for our agricultural producers.

In these circumstances, we had hoped that the recent federal Budget would announce far-reaching new measures to deal with at least some of these problems — and especially with unemployment. But, along with most Canadians, we were extremely disappointed.

Instead of announcing large-scale **direct** employment programs, the federal government chose to rely instead on increasing tax incentives for large corporations and major investors — tax concessions whose job-creating value has never been proven, and isn't likely to be this time either.

In light of that kind of negative federal policy response, our government has had to make some very difficult policy choices of our own. We had hoped to be able to consider measures to complement federal initiatives designed to stimulate the economy. Now, we

are faced with what is essentially a "go it alone" situation. Ottawa is obviously not going to help.

In fact, as I announced a few weeks ago, the federal Budget has actually lessened the limited budgetary options available to us. We expect to lose close to $1 million in revenue as a result of some of the federal tax changes — a loss that will not be offset by the revenue guarantee arrangements which, very conveniently for the federal government, terminated at the end of 1976.

Given this, it was small comfort for us to hear that the federal Minister of Finance has apparently given assurances that if the current situation does not show signs of improving by the fall, the federal government **may** introduce some new measures to deal with it. Canada is losing billions of dollars in potential output and income as a result of unemployment and we simply cannot afford to wait for another five or six months for something to be done.

I intend to emphasize our government's concern about federal inaction in the strongest possible terms at a conference of Finance Ministers which is to be held in Ottawa in May. The primary purpose of that conference will be to discuss the future of the Anti-Inflation Program and decontrol, but these subjects cannot be dealt with in isolation from other economic factors.

There is growing concern that at least a portion of our unemployment is a direct result of Ottawa's over-emphasis on the anti-inflation campaign. This did not have to happen. It should not be allowed to continue. At the Finance Ministers' meeting, I will press for a clear statement of federal intentions with respect to the future of the A.I.B., and I will advise the federal government that we believe the optimum deadline for an end to controls is no later than October.

On the subject of oil and gas pricing, Manitoba's position remains clear. We believe there is no justification whatsoever for a price increase at the present time. On the contrary, what is required now is a broad expansion of federal assistance to promote energy conservation programs along the lines of those programs now in place in two of the Atlantic Provinces. I am hopeful that we may see some progress in this regard after the next meeting of Energy Ministers in a few weeks.

In the interim, I will be announcing some new measures today which, though limited, will serve to affirm our government's commitment to conservation, and our willingness to work together with the federal government in a national effort to reduce our dependence on non-renewable energy resources.

Federal-Provincial Financial Relations

Before describing our budgetary plans in detail, I want to review one more extremely important aspect of our relations with the Government of Canada.

As most members of the assembly are aware, a number of federal-provincial and inter-provincial conferences were held throughout 1976 for the purpose of renegotiating the financial arrangements which support many of our key public services. These negotiations have now concluded, and although certain technical issues remain to be resolved, I am in a position to provide a fairly specific report on their outcome, and their implications for our province.

Because of the complexity of some of the various arrangements, I have had a detailed paper prepared on the subject which will be distributed at the conclusion of my Address.

It is sufficient to say here that the new "Established Programs Financing Arrangements" will involve:

— the termination of the income tax revenue guarantee which had been in effect since 1972;

— the continuation of the provincial tax equalization formula, but with a number of modifications, including new limits on the equalization of natural resource revenues, as well as a change in the way school property taxes are equalized;

— and, the elimination of traditional cost-sharing for Hospital Insurance, Medicare and post-secondary education and their replacement with a transfer of per capita cash payments and additional income tax responsibility. There will no longer be a direct relationship between provincial program costs and the amount of federal support.

Quite clearly, the federal government will no longer be an equal partner with the provinces in sharing the risks of cost escalation associated with some of our most important national programs — or in sharing the expenditures required to make them more efficient over the long term.

Overall, we estimate that the new arrangements will mean a revenue shortfall to Manitoba of from $34 million to $70 million in the 1977/78 fiscal year. The lower figure, $34 million, represents the certain shortfall relative to last year's Estimates caused by the termination of the revenue guarantee. The higher figure — $70 million — represents a loss of potential revenue which would have been received had the federal government not rescinded an earlier promise of full sharing for lower cost alternative health services such as nursing homes, had it not changed the way equalization is calculated for school property taxes, and had it not decided to effect a recovery of what it alleged were payment "overlaps" occasioned by the introduction of the new arrangements.

A negative revenue impact of this magnitude cannot be overcome easily, and it has had a major influence on our budgetary planning for the 1977/78 fiscal year.

Budgetary Position — 1976/77

Members will recall that our Budget last year forecast a 1976/77 Current Account deficit of approximately $12.8 million.

At the time, however, it was noted that the deficit could be larger if the Government of Canada refused to agree to a fair compromise in respect of a plan it had just put forward for a **retroactive** change in the way it calculated income tax revenue guarantee payments for the last three years of the program. Unfortunately, the federal government refused to compromise, and the result for Manitoba was a further shortfall of $9.8 million from the amount shown in our Estimates last year.

On the expenditure side, although additional amounts in excess of the Estimates were required for forest fire and flood costs and other unforeseen increases, growth in most Departments was held down through special mid-year restraint measures.

The 1976 restraint reductions totalled approximately $20 million. They affected virtually all Departments and lessened substantially the need for additional expenditure authority through Special Warrants.

Because the province's books have just been closed for two days, precise figures on our year-end position are not yet available, but it appears that the 1976/77 deficit has been

held to about $19 million, somewhat lower than we had expected in the absence of a fair compromise by the federal government on the revenue guarantee.

Budgetary Policy — 1977/78

CURRENT EXPENDITURES — MAIN ESTIMATES: 1977/78

Several weeks ago, I tabled our government's Main Estimates of Current Expenditures for the fiscal year ending March 31, 1978.

As I pointed out at the time, our Main Estimates for 1977/78 reflected a number of factors, including our continuing restraint efforts, and the serious negative impact that the new federal-provincial financial arrangements were expected to have on our revenue position.

The rate of increase in the Main Estimates, 7.75% over last year's voted totals, was the second lowest of the provinces which have tabled their spending plans up to now. Despite this relatively low growth rate, however, the Estimates provided for significant increases in support for a number of priority programs.

During the year, our government will be monitoring departmental expenditure trends very carefully, and if unforeseen pressures develop in some program areas, we are prepared to deal with the problem by reassigning staff and reallocating funds wherever practicable.

REVENUE ESTIMATES — 1977/78

I have already referred to two major reductions in our available revenues for 1977/78 arising out of decisions by the federal government.

In addition, the continuing system of income tax indexing will cut the growth of our revenues from that source by a further $20 million this year.

These factors, coupled with the need to apply extreme caution in estimating other tax revenues in light of possible drought conditions this summer, obviously have placed major restrictions on our Budget options for this fiscal year.

These problems are not unique to Manitoba, of course. Most provinces are experiencing similar difficulties, and this has been reflected in the budgetary decisions their governments have announced. A number of tax increases have been implemented and, even in one of the wealthiest provinces, Medicare premiums were raised effective April 1.

I am happy to announce, however, that there is no provision for a tax increase in my Budget today.

In fact, because of careful planning and the restraint measures applied in preparing our Expenditure Estimates, it will be possible to implement a number of tax adjustments.

Property Tax Reductions

The first of these adjustments has already been announced — an increase in both the maximum and general minimum benefits under our Property Tax Credit Program.

The maximum Property Tax Credit for 1977 will be $375, up $25 from the $350

available for 1976. A similar increase will bring the general minimum credit to $225. Eligible homeowners will have their realty tax bills reduced by this amount in the summer. About 210,000 homeowners will qualify for tax credits this year, and by far the majority of them — around 145,000, or 70% — will receive more than the minimum amount, qualifying for benefits up to the $375 maximum when they file their 1977 income tax returns next spring.

Approximately 170,000 tenants will also qualify to receive the expanded tax credits when they file their 1977 income tax returns.

This expansion of benefits will provide total school and general property tax relief of $98 million for the current year. This is more than the entire amount the former government spent on assistance to school divisions and municipalities in its last full year in office.

The members opposite are on record as favouring the abolition of tax credits, but I note they have been silent on the question in recent months.

Our tax credit system is the fairest possible method available for providing property tax relief. It is the only system which takes income and family size into account, not only for homeowners, but also for tenants. No other form of property tax relief is more equitable, and as long as our government is in office, we will maintain tax credits as one of the primary features of our budgetary structure.

Despite the major property tax reductions which have been achieved through our tax credit program, however, concerns continue to be expressed about particular pressures on some ratepayers.

Some senior citizens have indicated that even with assistance through tax credits, their limited and often fixed incomes have not kept pace with living costs and realty taxes — and have made it increasingly difficult for them to maintain their homes. Fortunately, this problem is far less widespread than it was before our tax credit plan was introduced. According to the latest statistics, about 37% of pensioners have their property taxes entirely offset by the credits, while another 34% receive the maximum benefits available, now $375.

But, to provide greater security, and to lessen the worries some of our senior citizens might face, our government proposes to introduce a new plan which will guarantee that no pensioner is required to give up his or her home because of rising realty taxes.

The program will involve an optional system under which property tax payments can be deferred until such time as the residence ceases to be occupied by its owner or owners.

We are hopeful that municipal governments will cooperate with the province by administering this program at the local level. The provincial government will, of course, reimburse municipalities for the revenues which are not collected as a result of deferrals.

Full details of the new plan will be announced in the near future. Every effort will be made to implement it in time for pensioners wishing to take advantage of it for their 1977 property taxes.

I want to make it clear once again that we do not believe the problem this deferral plan is designed to overcome is widespread. But, where difficulties are being encountered, this measure will help. Any who choose to enter a deferral plan will have their deferred taxes credited with the same reductions they would have received if they were paying taxes on a normal schedule.

Measures for Energy Conservation

Earlier, I referred to the need for a national effort — with federal support — to encourage conservation of scarce non-renewable energy resources.

As an initial step — and to indicate our government's readiness to cooperate in a national energy conservation program — we propose to eliminate the provincial sales tax on all insulation materials for use in residential construction of a non-commercial nature.

It is our hope that insulation dealers and contractors will not absorb the benefit of this exemption by raising their prices, but will pass it on entirely to their customers. I have asked my colleague, the Minister responsible for Consumer Affairs to monitor insulation prices in the next several months, and to advise me of his findings.

The sales tax exemption for insulation materials will take effect at midnight tonight.

In addition, a system will be introduced to eliminate property tax increases arising from the installation of equipment to utilize solar energy for home heating purposes. Although relatively few such installations have been made up to now, it is hoped that such equipment will become more common in future. Despite the fact that a solar heating system can add to property assessment, we believe there should be no property tax charge for what is essentially a conservation measure. For this reason, we will ask municipalities to keep the necessary records, and the province will reimburse them for not applying their mill rates against assessment increases in such cases.

It is estimated that the combined cost of the sales tax exemption for insulation materials, and the elimination of property tax for solar heating equipment will be approximately $300,000 in 1977/78.

To supplement these tax measures, and to assist homeowners who would like to upgrade the insulation in their homes, but who have not done so because they lack the funds to finance the initial insulation costs, we are introducing a special provincial loan program under which up to $1,000 will be made available to those homeowners who wish to improve their insulation. The loans will be repayable over a 20 year period at a favourable interest rate which should keep the maximum monthly payments well under $10. The modest monthly costs mean that every homeowner in the province, regardless of financial position, will be able to upgrade insulation and realize substantial savings on heating costs.

The program will be administered through Manitoba Hydro and, initially, will be offered to its customers as an expansion of a smaller-scale plan along the same lines which it has been operating for some time.

Winnipeg Hydro will also be offered the chance to set up a similar plan for its customers.

Succession Duty Reductions

In the Speech from the Throne at the start of this Session, reference was made to a detailed review of succession duty legislation being carried out by the government. That review has now been completed, and it has confirmed, to our satisfaction, that the Succession Duty and Gift Tax Acts are equitable and consistent with original objectives.

Members will recall that Manitoba entered the succession duty field in 1972 after the federal government eliminated its estate tax. In that year, nine of the ten provinces were in the field, but, as is well known, a number subsequently withdrew — in some cases

because the federal government decided to cease administering provincial succession duty and gift tax legislation after 1974.

Today, three provinces remain in the field, but two of the three, Ontario and Quebec, are Canada's largest provinces. So, overall, about two-thirds of Canadians reside in provinces which still apply what we regard as one of the essential elements of an equitable tax structure.

As was pointed out when succession duties were first introduced in Manitoba, various forms of inheritance taxes are common throughout virtually all western democracies. In fact, the Canadian Government is one of the few national governments which has abrogated its responsibility for ensuring that large-scale transfers of wealth do not take place without some form of fair contribution to the public as a whole.

The principle behind the tax is not difficult to explain. Why should people who do not earn, but just inherit large sums, pay no tax at the same time as people who earn income pay taxes at normal rates?

But, of course, we will hear counter-arguments. Some have suggested that the tax affects many people, and others have argued that succession duties lead to a flight of capital. But, statistics show that of those adults who die each year, only 2%, or one out of fifty, leave estates which are subject to any succession duty. In fact, since 1972, the number of taxable estates has averaged well under 200 a year in Manitoba.

The statistics also show that by far the largest proportion of revenue is derived from the largest estates. The vast majority of smaller estates are exempt or generate a minimal tax liability.

Insofar as the "flight of capital" is concerned, it is true that some wealthy people have sought tax havens elsewhere, but that has always been the case. Retirement on a tropical island with no taxes has always been an option for the few people who can afford it, and setting up complicated legal arrangements has sometimes worked in the past too — but not always.

The simple fact is that to get involved in the kind of tax competition which has been suggested to stop such manoeuvering is self-defeating. Even the former Premier of Manitoba, the Honourable Walter Weir, acknowledged this in 1969 when he stated in a debate on estate tax rebates:

> "I am not a believer in . . . what I believe is almost false incentive for the location of capital in different jurisdictions in Canada as it exists now. . . ."*

Our Government fully agrees with this sentiment. We believe the federal government belongs in the estate tax field, and we are prepared to vacate it, if and when Ottawa recognizes its responsibility. In the interim, we believe the provincial Succession Duty Act should be maintained.

At the same time, however, our review has indicated that some changes should be made.

The Succession Duty Act will be amended to recognize the partnership of spouses in the marriage relationship in line with changes to be reflected in forthcoming legislation dealing with family law. In order to achieve this, the share of the marital assets of the surviving spouse will be exempt from succession duty. This is in addition to the $250,000 exemption available in all such cases after tonight's Budget.

*March 7, 1969 (Hansard — page 173).

Over and above this very substantial change in the interspousal transfer, we propose additional amendments to recognize the impact of inflation on both the value of assets and purchasing power.

- The preferred exemption, which was previously increased in 1974 from $150,000 to $200,000, will be further increased to $250,000. This exemption will also be expanded to include additional exemptions for under-age dependent children.
- The floor below which no estate is taxable will be increased from the present $50,000 to $75,000.
- The collateral exemption will be increased from $25,000 to $35,000. At present, the collateral category includes brothers and sisters of the deceased, as well as uncles, aunts, and cousins. However, because of the closeness between many brothers and sisters, the government feels that this special bond should be recognized. Therefore, a new exemption is being added as an extension of the collateral exemption. It increases the present exemption of $25,000 to $100,000 for siblings — brothers and sisters of the deceased.
- Further changes will also be made in the present exemptions for infirm dependants. Details will be made known when the Bill is introduced.
- Although we have not found any evidence of people being forced to sell family farms or small businesses to pay the tax, we intend to extend the basic allowable deferral period substantially. As well, we continue to be prepared to review any situations where difficulties arise under the "hardship" provisions in the existing legislation which permit indefinite deferrals at interest not to exceed 5%.

There will also be an increase in the exemptions under the Gift Tax Act. Exemptions for individual gifts for preferred beneficiaries other than spouses will be raised from $2,000 to $5,000. For spouses it will become $6,000, **after** the family law changes are taken into account. The maximum total exemption will also be increased from $15,000 to $25,000.

All the succession duty changes will be effective in respect of deaths occurring since midnight last night.

In total, it is estimated that because tax is payable starting six months after death, these changes will reduce our revenues by approximately $2.5 million this year, and $4 million in the following year.

This loss represents more than half our annual revenues from succession duties.

Income Tax Adjustments

Earlier in my Address, I referred briefly to the fact that the new federal "Established Programs Financing Arrangements" legislation provides for a transfer of greater income tax responsibility to the provincial governments.

In describing the transfer to the House of Commons, the federal Minister of Finance stated:

> "This will come about through a reduction of federal tax in the expectation that the provinces will increase their taxes by an equivalent amount. The result is that the position of the taxpayer will be unchanged. . . ."*

On the surface, the mechanics of this transfer seem complicated, but in fact, the arithmetic is quite straightforward.

*Federal Hansard — February 18, 1977, page 3204.

The provincial income tax rate is expressed as a percentage of basic federal tax. For Manitoba up to now, this has involved 142.5 percentage points of tax: 100 federal points and 42.5 provincial and municipal points.

The transfer will involve 9.143 federal points, but this figure is not just subtracted from one total and added to the other. The federal government requires, under The Federal-Provincial Tax Collection Agreements, that provincial rates must be expressed as percentages of the federal rate and that they be expressed in rounded percentages.

By "rounding down," our converted rate will become 56 percentage points, which is equivalent to a rate of about 41.7 percentage points under the old system, compared to the present 42.5 points.

This change is retroactive to January 1, and will mean a small amelioration in basic income tax for all Manitoba taxpayers.

The Official Opposition, which, for most of the years it was in government, applied the highest provincial personal income tax rate outside Quebec, has often claimed our government's rate was the highest in Canada. After this year's conversions, we expect the figures will show that we rank about fourth among the provinces — and very near the middle — even though we don't have hundreds of millions of dollars in oil royalties, and Medicare premiums, and the high sales tax rates of some other provinces to buoy up our revenues.

In addition to this technical rate conversion, we also propose another income tax adjustment.

For the last few years, a number of taxpayers have expressed concern about the fact that, according to Revenue Canada tables used to calculate their income taxes, there are instances at the very low levels of taxable income where there is zero federal tax, but some provincial tax payable. It has been explained in the house that this apparently-anomalous situation arises because of a special federal reduction which does not affect the "basic" federal tax against which the province has to apply its rate under our Tax Collection Agreement.

For 1977, a new problem arose because of the rate conversion I have just described. Without some adjustment, taxpayers with zero federal tax would have experienced an actual tax increase as a result of the transfer, and additional people would have faced this situation.

We have decided to deal with this problem by eliminating all provincial income tax for those taxfilers who pay no federal tax.

Our estimates indicate that this change will remove about 75,000 taxpayers from the provincial tax rolls in Manitoba. This is a substantial number — about 18% of all taxpayers in the province.

This measure is expected to reduce revenues by $2.7 million in 1977/78.

Neither of the income tax adjustments I have announced tonight will affect the benefits payable under our two tax credit plans.

I have already referred to an increase in Property Tax Credits for 1977, and I am happy to say that Cost of Living Tax Credit benefits will also increase this year because they are tied to personal exemption levels which grow in line with the Consumer Price Index.

For 1977, maximum Cost of Living Tax Credit benefits for a family of four — a

married taxfiler claiming a spouse and two children under age 16 as dependants — will be $154, up from $142 for 1976. At a gross income level of $10,000, benefits for this family will total $108 as compared with $91 last year. With this increase, some 78% of all such families — all those with total incomes under $21,000 — will be eligible for benefits, with the largest amounts accruing to lower and moderate income earners.

This latest increase brings total Cost of Living Tax Credit benefits for 1977 to $28 million, an increase of $5 million or 21.7% over the estimated $23 million in benefits for 1976. Over 400,000 Manitoba taxfilers are expected to benefit this year.

In total, the direct tax relief provided by our two tax credit plans for 1977 will be $126 million, an increase of $15.5 million or 14% over 1976.

As a result of this Budget, and combining all the new measures, including tax credits and indexing of the provincial income tax base, Manitoba taxfilers can expect to pay about $44 million less in provincial income taxes for 1977.

Average savings for the "typical" family of four will amount to about $120, with the largest savings — approximately $215 over 1976 — available at the $7,500 level. Other typical savings are $202 at $25,000, $154 at $20,000, $132 at $15,000, and $118 at $12,000.

In addition to providing tax relief, these measures should also have a positive impact on the economy as early as this summer. The Property Tax Credit advances will, of course, be received through this year's municipal and school property tax statements, and the income tax adjustments should be reflected in payroll deductions starting in July.

Before leaving the subject of taxation, I should advise members that the rate conversion I described earlier will require a similar conversion of the share of provincial personal income tax which is assigned to municipalities. Up to now, the municipal share has been 2 points of personal income tax. It will now become 2.2 points. The municipal share of corporation income tax will remain unchanged at 1 percentage point.

For 1977, unconditional income tax sharing payments to municipalities will total $21.4 million. This amount is roughly 22% higher than the $17.6 million provided for in last year's Estimates, and close to 600% more than the unconditional grants paid to municipalities under the former government in its last full year in office.

Because the final 1976 census count of municipal populations is still unknown, the 1977 payments are preliminary and may be subject to some adjustment later. But, as a general guideline, we will ensure that no municipality's mid-1977 payment is lower than its entitlement of a year ago.

SUPPLEMENTARY ESTIMATES — 1977/78

At the time I tabled the Main Estimates of Current Expenditures for the 1977/78 fiscal year, I indicated that certain items decided upon after the deadline for inclusion in the main expenditure totals would be covered by Supplementary Estimates.

At the conclusion of my Address today, I will be tabling Supplementary Estimates totalling $12.9 million. This amount breaks down as follows:

- $7,498,800 for additional education support announced earlier. The province's contributions toward public school financing for 1977 will total $184 million, exclusive of Property Tax Credits. This represents an increase of about $23 million over the 1976 contributions, and is one of the major reasons for property taxes being held down this year.

- $3,650,000 for the Farm Income Assurance Plan in the Department of Agriculture;
- $365,100 for the Department of Labour to finance establishment of a Work Place Safety and Health Branch; and
- $1,392,700 for additional projects under our cost sharing agreements with the Department of Regional Economic Expansion.

When these $12.9 million in supplementary expenditures are added to the $1,153.7 million Main Estimates tabled earlier in the Session, total Current Account expenditure requirements for 1977/78 become $1,166.6 million, an increase of about 8.9% over the total amounts voted for 1976/77. This percentage still leaves our expenditure growth rate second lowest among the provinces which have presented their Estimates so far this year.

On the revenue side, the Estimates I will table later today will indicate that the government is anticipating receipts of $1,158.0 million in 1977/78.

So, if there were no further changes, there would be a Current Account deficit of $8.6 million at the end of the year. In effect, we would have close to a "balanced budget" on Current Account.

CAPITAL REQUIREMENTS — 1977/78

Turning to capital, there is no question that the government's capital spending program will continue to play an important positive role in creating and maintaining employment in Manitoba in the coming months.

At the conclusion of my Address today, I will table Estimates of capital requirements totalling $522.2 million for 1977/78. This total is about $125 million more than the capital authority granted by the Legislature for the 1976/77 fiscal year, but it is somewhat lower than the total for 1975/76.

A portion of our requirements, as usual, will come from the C.M.H.C. and other federal and shared-cost programs. This will result in public market borrowings of approximately $350 million.

This year's Capital Estimates provide an allowance of:

- $421.2 million in "Schedule A" for self-sustaining programs, including $278.8 million for Hydro, $64.1 million for the M.H.R.C., and $42.5 million for the Manitoba Telephone System, along with
- $100.9 million in "Schedule B" for direct government programs; I want to draw particular attention to two items in "Schedule B": $3.5 million for university centennial projects and $4.3 million for remedial structure repairs at Red River Community College.

Despite the uncertainties in international financial markets, we anticipate no undue difficulty in securing the funds we require for our capital program. Our credit rating remains at "Double A" — as I said earlier, the best in our history.

Our net direct debt — at about $424 per capita at March 31, 1976, the last time it was calculated formally — is not out of line with that of other provinces. Our debt charges are no larger, as a percent of current expenditures, than they were under the former government in the mid-1960's. And, our net direct debt continues to represent a relatively small portion of our Gross Provincial Product.

In 1961, in one of his first Budget speeches, the then Premier and Provincial Treasurer, The Honourable Duff Roblin stated:

> "We have been criticized that . . . we have allowed the public debt to increase. After the circumstances of the past I regard this as a completely necessary development. It has become popular in some circles to argue that a balanced budget on both Capital and Current Account is the '*sine qua non*' of government finance — the 'best of all possible worlds'. For a mature economy, that view might have weight. But Manitoba's is not a mature economy.
>
> . . .
>
> The public debt, or indeed investment, as it really is, has grown. I can only wish that it had grown sooner so that our people might have enjoyed sooner the fruits of that investment."

I commend this statement particularly to the members opposite. They seem to have forgotten some important facts they once apparently understood very well.

Special Provincial Job Creation Program

Our government could have left our Budget there, as it stands, and claimed credit for having produced virtually a "balanced budget" on Current Account for fiscal 1977/78, without raising taxes — and in spite of cutbacks in federal assistance.

But, with a national jobless total of well over 900,000 for March, and with the federal government refusing to take immediate action to deal with what is, quite clearly, a national emergency, we feel it would be the height of irresponsibility not to do everything we can, within the limited capacity of a provincial government, to protect the Manitoba economy from the worst effects of unemployment.

Enormous human and economic costs are involved. Unemployment is cruel and demeaning to able-bodied men and women who want to work — **and** to their families. And, the massive unemployment we have in Canada today also means a drastic loss of output and income to the entire economy — **including every person who has a job.** The effects of unemployment may not be as visible to people as inflation, but they are every bit as threatening, and every bit as damaging to real incomes.

Unlike some other governments, we don't feel unemployment is a secondary problem or a secondary priority. And, unlike some other governments, we don't feel efforts to create jobs should be set aside as being potentially inflationary. **There is nothing inflationary about putting people to work** — especially with the national economy operating at 20% under-capacity.

Our government believes immediate action is essential.

For this reason, we have decided to introduce a large and wide-ranging, multi-pronged program of new **direct** job creation measures which will take effect within a matter of weeks.

Full details of the program will be announced in about ten days when further Supplementary Estimates will be tabled.*

*Details were announced by Premier Schreyer on May 4, 1977 — see Appendix G.

The target time frame for the special new job creation program is a relatively short one — from mid-May through mid-September.

By the end of the summer, we expect that the federal government will have realized the urgency of implementing special national programs similar to ours. At that time, and in light of whatever action Ottawa has announced by then, we will re-assess the situation in Manitoba to determine the kind of follow-up steps that may be required for the winter months.

Conclusion

In many ways, the process of formulating a Budget is one of the most critical tests confronting any government.

A Budget requires hard decisions, backed up by direct action. Its results can be seen and measured. Rhetoric, no matter how forceful, will not cover up its failings.

In preparing this Budget for 1977, our government has been put to just such a test, and our response is before the House now.

It is a reasonable Budget, which will make it possible for us to introduce a large-scale special program to create jobs.

We looked to Ottawa for leadership and assistance, but it was not forthcoming. In fact, the federal government cut down its support to the provinces and turned its back on the unemployed.

So, with limited options and limited resources, we have had to go it alone.

By putting Manitobans to work, this Budget, and measures which will follow, will bring benefit, directly and indirectly, to individuals and businesses in every region.

It will increase incomes and output, and help secure our economic base for future gains.

It is a people's Budget, by a people's government.

It is an honest Budget, without gimmicks or giveaways.

It will get the job done.

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Economic Statistics

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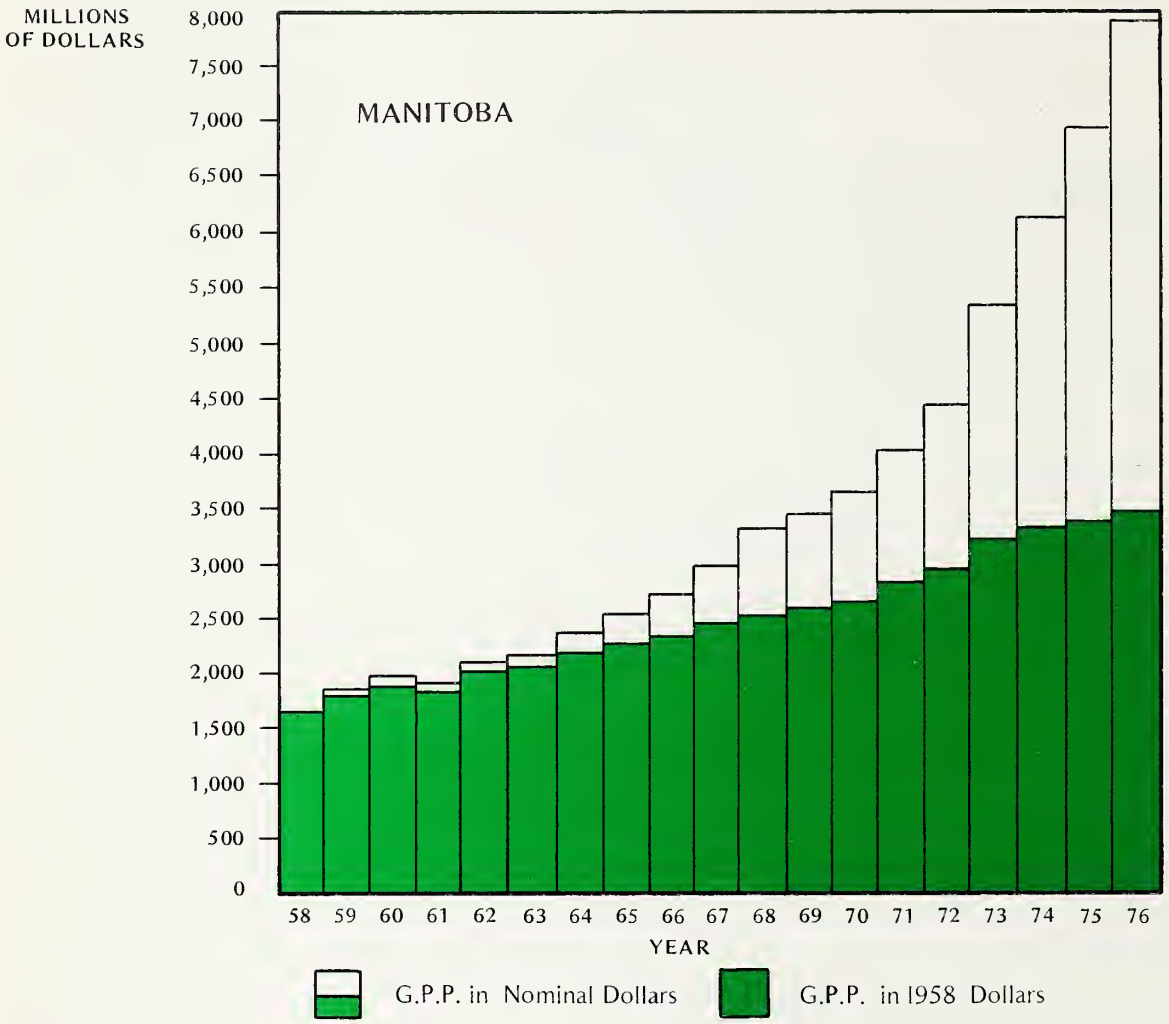
ESTIMATED GROSS PROVINCIAL PRODUCT: MANITOBA
GROSS NATIONAL PRODUCT: CANADA
1958 - 1976



Year	Manitoba's Estimated Gross Provincial Product $ Millions	Percent Change Relative to the Previous Year	Canada's Gross National Product $ Millions	Percent Change Relative to the Previous Year
1958	1,682	–	34,777	–
1959	1,835	9.1	36,846	5.9
1960	1,928	5.1	38,359	4.1
1961	1,893	(1.8)	39,646	3.4
1962	2,109	11.4	42,927	8.3
1963	2,174	3.1	45,978	7.1
1964	2,394	10.1	50,280	9.4
1965	2,550	6.5	55,364	10.1
1966	2,735	7.3	61,828	11.7
1967	2,994	9.5	66,409	7.4
1968	3,289	9.9	72,586	9.3
1969	3,492	6.2	79,815	10.0
1970	3,674	5.2	85,685	7.4
1971	4,021	9.4	94,115	9.8
1972	4,450	10.7	104,669	11.2
1973	5,324	19.6	122,582	17.1
1974	6,190	16.3	144,616	18.0
1975	6,951	12.3	161,132	11.4
1976p	7,935	14.2	184,494	14.5

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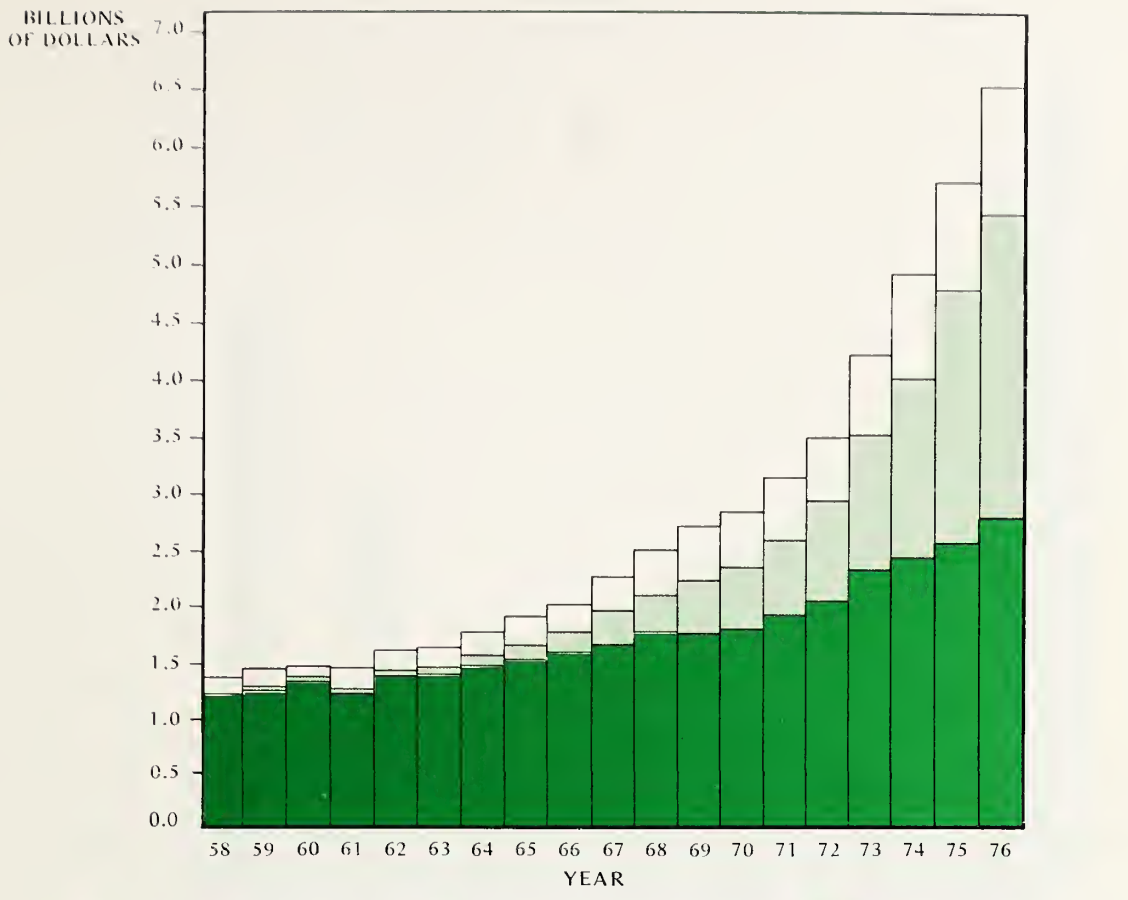
Note: Data have been revised to accord with updated Statistics Canada series.
Source: Department of Finance/Statistics Canada

TOTAL PERSONAL INCOME: MANITOBA
1958–1976

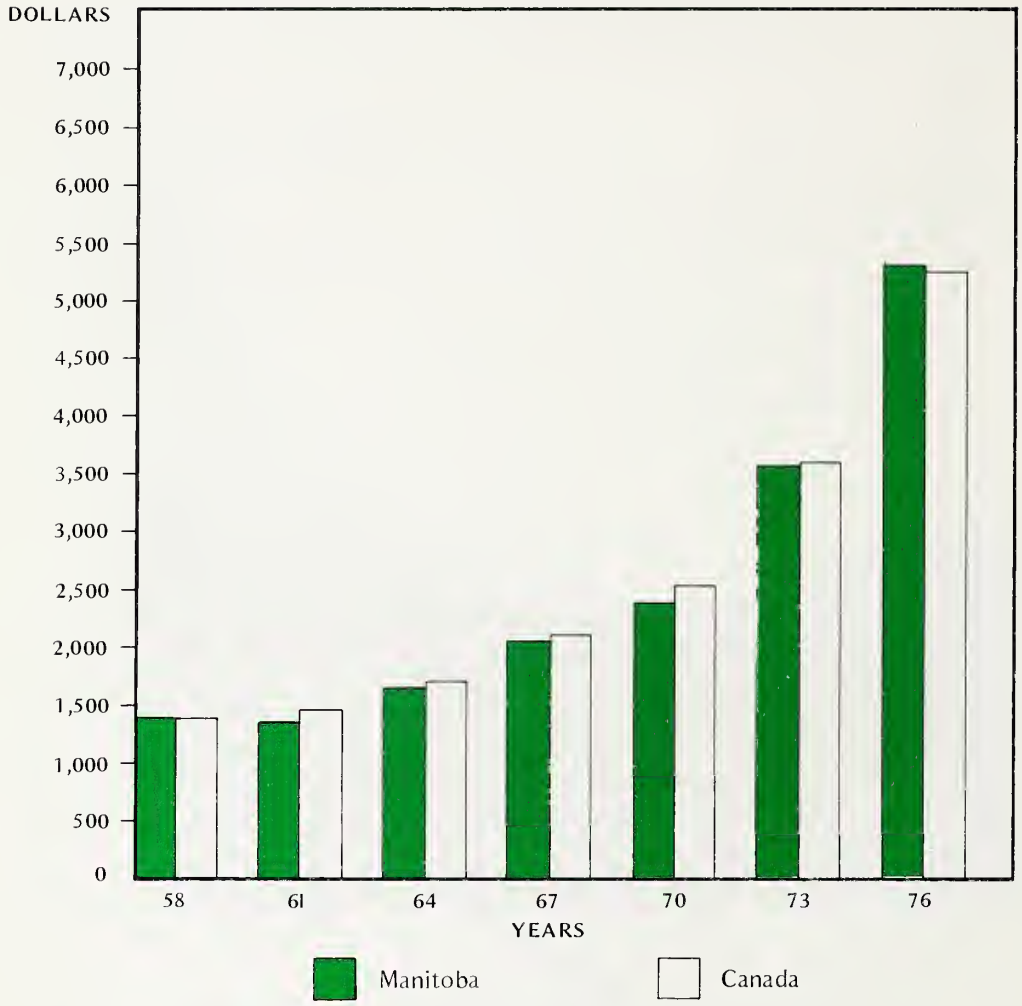


Year	PERSONAL DISPOSABLE INCOME (1958 Dollars) $ Millions	PERSONAL DISPOSABLE INCOME (1958 Dollars) Percent Change Relative to the Previous Year	PERSONAL DISPOSABLE INCOME (Current Dollars) $ Millions	PERSONAL DISPOSABLE INCOME (Current Dollars) Percent Change Relative to the Previous Year	PERSONAL INCOME (Current Dollars) $ Millions	PERSONAL INCOME (Current Dollars) Percent Change Relative to the Previous Year
1958	1,246	—	1,246	—	1,352	—
1959	1,274	2.2	1,289	3.5	1,419	5.0
1960	1,321	3.7	1,349	4.7	1,492	5.1
1961	1,251	(5.3)	1,286	(4.7)	1,436	(3.8)
1962	1,393	11.4	1,451	12.8	1,611	12.2
1963	1,401	0.6	1,482	2.1	1,647	2.2
1964	1,483	5.9	1,588	7.2	1,775	7.8
1965	1,548	4.4	1,691	6.5	1,892	6.6
1966	1,582	2.2	1,785	5.6	2,039	7.8
1967	1,691	6.9	1,971	10.4	2,280	11.8
1968	1,782	5.4	2,166	9.9	2,523	10.7
1969	1,778	(0.2)	2,245	3.6	2,704	7.2
1970	1,791	0.7	2,342	4.3	2,857	5.7
1971	1,958	9.3	2,621	11.9	3,188	11.6
1972	2,118	8.2	2,949	12.5	3,565	11.8
1973	2,387	12.7	3,572	21.1	4,227	18.6
1974	2,470	3.5	4,091	14.5	4,915	16.3
1975	2,641	6.9	4,826	18.0	5,742	16.8
1976p	2,801	6.1	5,478	13.5	6,522	13.6

p - preliminary
Source: Statistics Canada/Department of Finance

PERSONAL DISPOSABLE INCOME PER CAPITA
MANITOBA AND CANADA

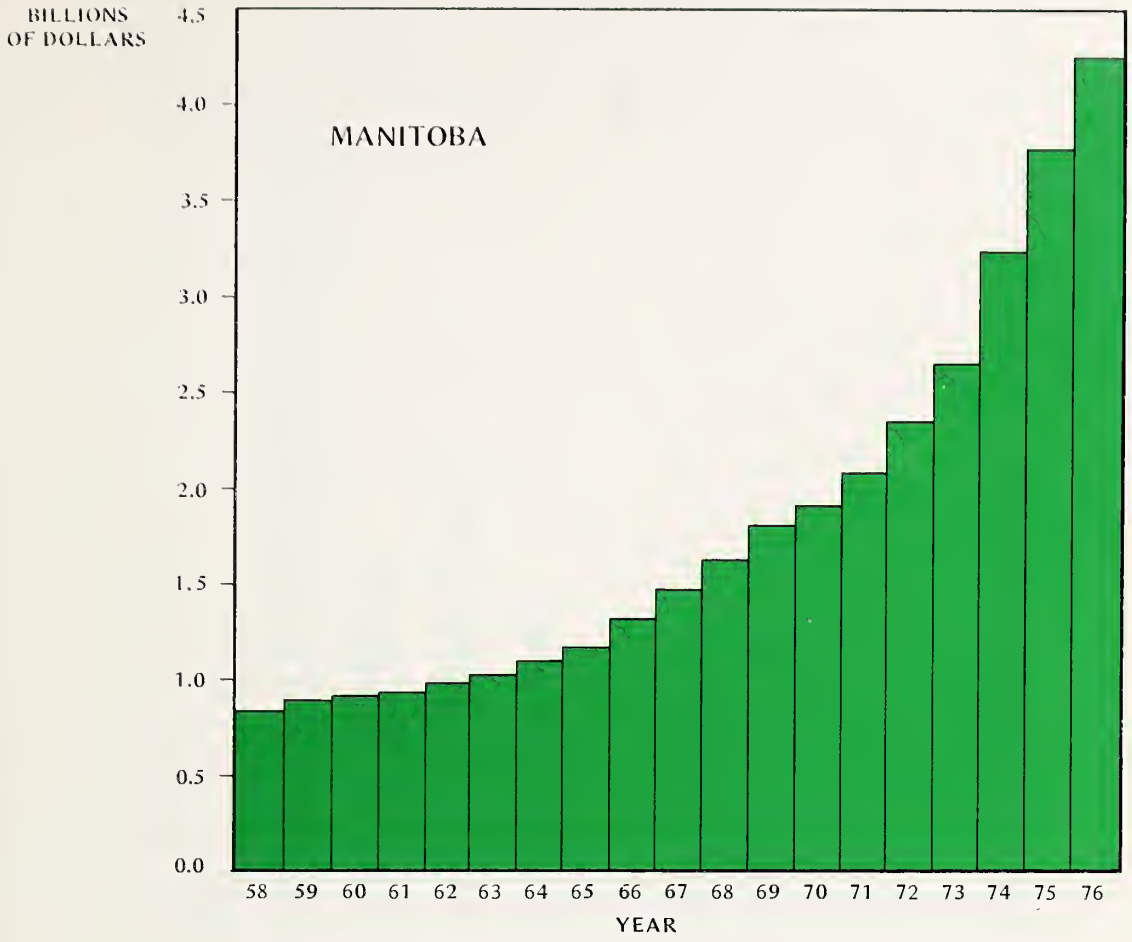
1958 - 1976



Year	MANITOBA		CANADA	
	$	Percent Change Relative to the Previous Year	$	Percent Change Relative to the Previous Year
1958	1,424	—	1,423	—
1959	1,447	1.6	1,455	2.2
1960	1,489	2.9	1,487	2.2
1961	1,395	(6.3)	1,475	(0.8)
1962	1,550	11.1	1,579	7.1
1963	1,562	0.8	1,646	4.2
1964	1,656	6.0	1,713	4.1
1965	1,752	5.8	1,846	7.8
1966	1,854	5.8	1,994	8.0
1967	2,047	10.4	2,116	6.1
1968	2,231	9.0	2,262	6.9
1969	2,293	2.8	2,424	7.2
1970	2,383	3.9	2,536	4.6
1971	2,653	11.3	2,779	9.6
1972	2,973	12.1	3,121	12.3
1973	3,579	20.4	3,585	5.3
1974	4,046	13.0	4,121	15.0
1975	4,736	17.1	4,715	14.4
1976p	5,329	12.5	5,278	11.9

p - preliminary
Source: Statistics Canada/Department of Finance

ANNUAL LABOUR INCOME: MANITOBA AND CANADA
1958 - 1976

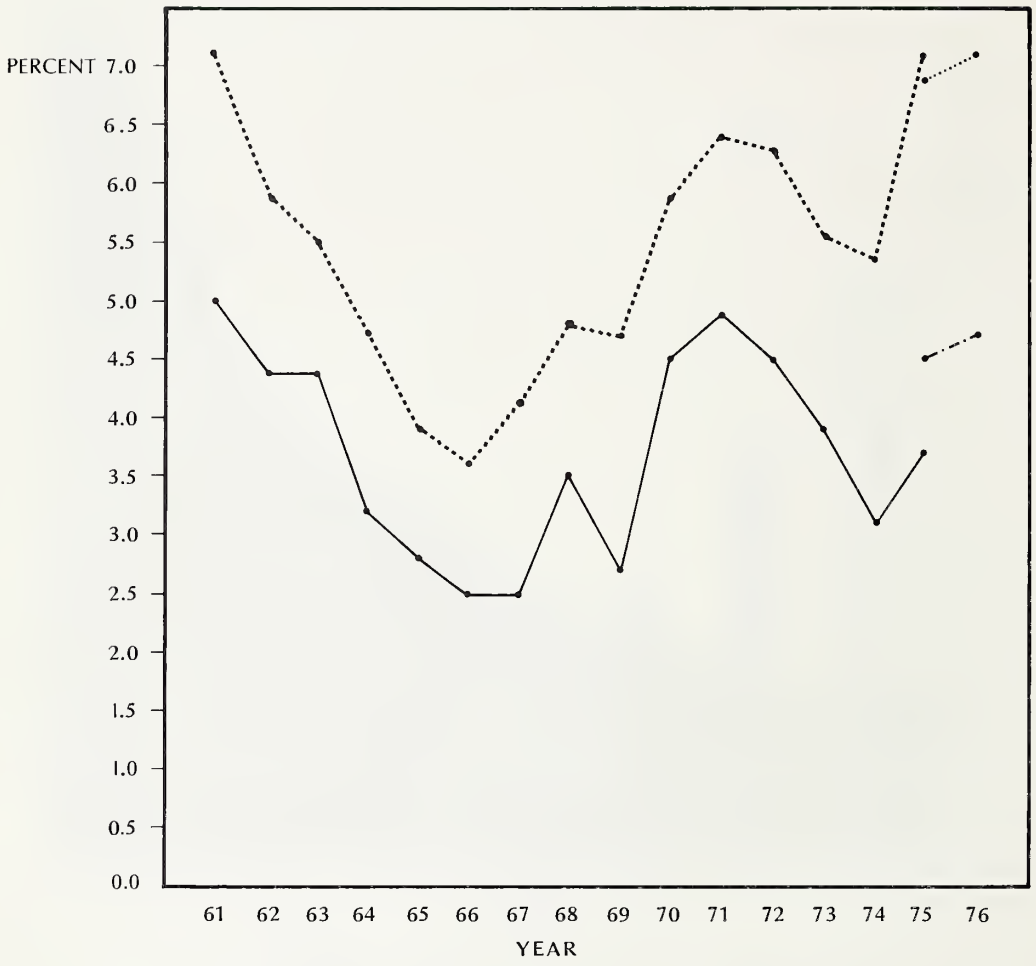


Year	MANITOBA		CANADA	
	Total Labour Income $Millions	Percent Change Relative to the Previous Year	Total Labour Income $Millions	Percent Change Relative to the Previous Year
1958	819.3	–	17,435	–
1959	888.7	8.5	18,596	6.7
1960	923.8	3.9	19,582	5.3
1961	943.8	2.2	20,399	4.2
1962	994.7	5.4	21,816	6.9
1963	1,045.7	5.1	23,262	6.6
1964	1,104.1	5.6	25,367	9.0
1965	1,194.1	8.2	28,201	11.2
1966	1,311.9	9.9	31,878	13.0
1967	1,485.6	13.2	35,303	10.7
1968	1,645.6	10.8	38,444	8.9
1969	1,814.8	10.3	43,065	12.0
1970	1,935.5	6.7	46,706	8.5
1971	2,103.6	8.7	51,528	10.3
1972	2,339.2	11.2	57,570	11.7
1973	2,682.8	14.7	66,358	15.3
1974	3,220.9	20.1	78,520	18.3
1975	3,788.1	17.6	90,586	15.4
1976p	4,257.5	12.4	104,430	15.3

p - preliminary
Source: Statistics Canada

UNEMPLOYMENT RATE (%) : MANITOBA AND CANADA

1961 - 1976



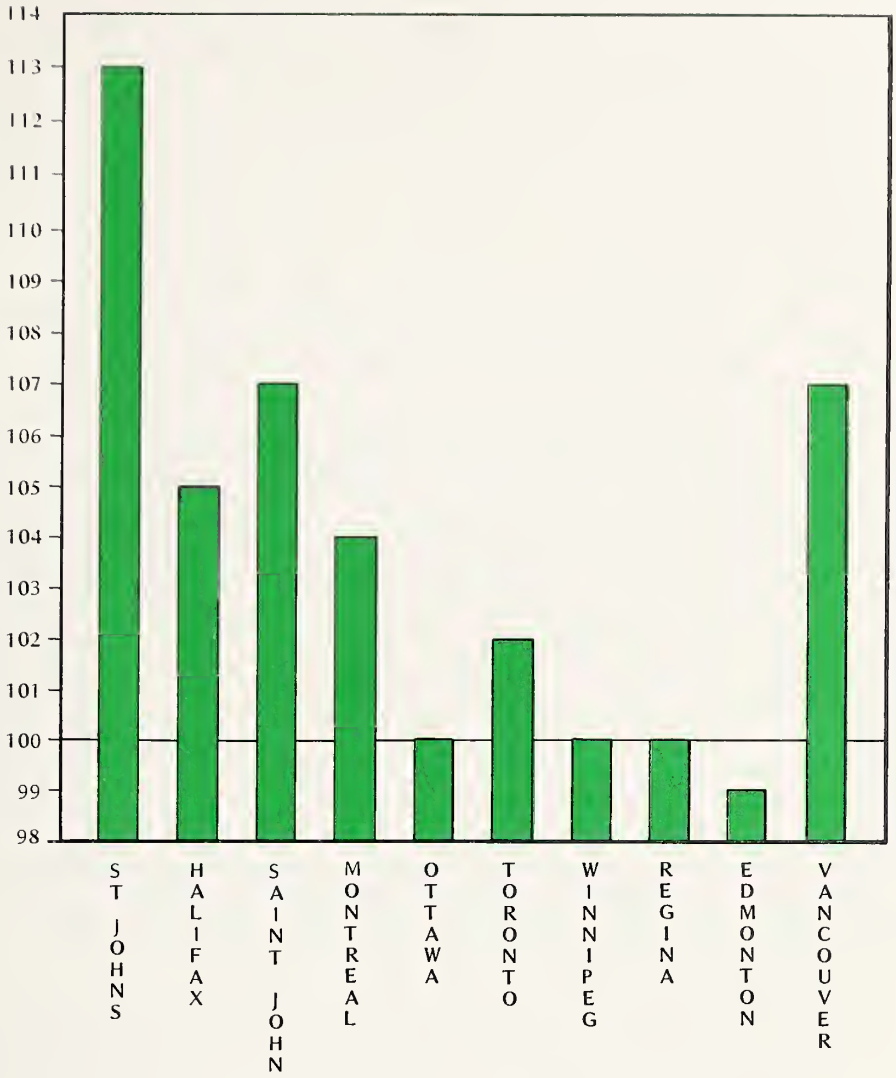
Year	MANITOBA				CANADA			
	Unemployed		Unemployment Rate		Unemployed		Unemployment Rate	
	Old Survey (000)	New Survey (000)	Old Survey %	New Survey %	Old Survey (000)	New Survey (000)	Old Survey %	New Survey %
1961	17		5.0		466		7.1	
1962	15		4.4		390		5.9	
1963	15		4.4		374		5.5	
1964	11		3.2		324		4.7	
1965	10		2.8		280		3.9	
1966	9		2.5		267		3.6	
1967	9		2.5		315		4.1	
1968	13		3.5		382		4.8	
1969	10		2.7		382		4.7	
1970	17		4.5		495		5.9	
1971	19		4.9		552		6.4	
1972	18		4.5		562		6.3	
1973	16		3.9		520		5.6	
1974	13		3.1		525		5.4	
1975	16	20	3.7	4.5	707	697	7.1	6.9
1976		21		4.7		736		7.1

Source: Statistics Canada

INTER-CITY INDICES OF RETAIL PRICE DIFFERENTIALS

WINNIPEG PRICE LEVELS = 100

DECEMBER, 1976



	All Items	Food for Home Consumption	Household Operation	Trans-portation	Health & Personal Care	Recreation, Education, & Reading	Tobacco & Alcohol
St. John's	113	113	110	119	102	105	117
Halifax	105	102	108	112	95	103	105
Saint John	107	107	105	113	96	105	103
Montreal	104	96	104	116	97	110	99
Ottawa	100	96	101	106	104	102	96
Toronto	102	96	100	111	106	106	97
Winnipeg	100	100	100	100	100	100	100
Regina	100	102	103	99	92	103	97
Edmonton	99	101	100	102	98	98	89
Vancouver	107	108	110	109	109	101	96

Source: Statistics Canada / Department of Finance

Consumer Price Index: Regional Cities
Percentage Change December, 1975 to December, 1976

	ALL ITEMS	FOOD	NON-FOOD
St. John's	6.2	4.1	7.0
Halifax	5.2	0.9	6.5
Saint John	5.6	1.9	6.8
Montreal	5.6	1.2	7.1
Ottawa	5.8	(1.9)	8.0
Toronto	5.7	(2.8)	8.3
Winnipeg	6.2	0.1	8.1
Regina	7.9	2.8	9.4
Edmonton	6.6	2.7	7.6
Vancouver	8.6	1.9	10.5

Source: Statistics Canada

New Capital Investment: Manitoba*
(1975 and 1976)

(Millions of Dollars)

	1975	1976[1]	Percent Change
Primary Industries and Construction Industry	307.2	359.8	+17%
Manufacturing	87.9	66.4	—24%
Utilities	525.4	562.4	+ 7%
Trade, Finance and Commercial Services	149.4	208.6	+40%
Housing	239.4	324.5	+36%
Institutional Services and Government Departments	211.8	249.5	+18%
TOTAL	1,521.1	1,771.2	+16%

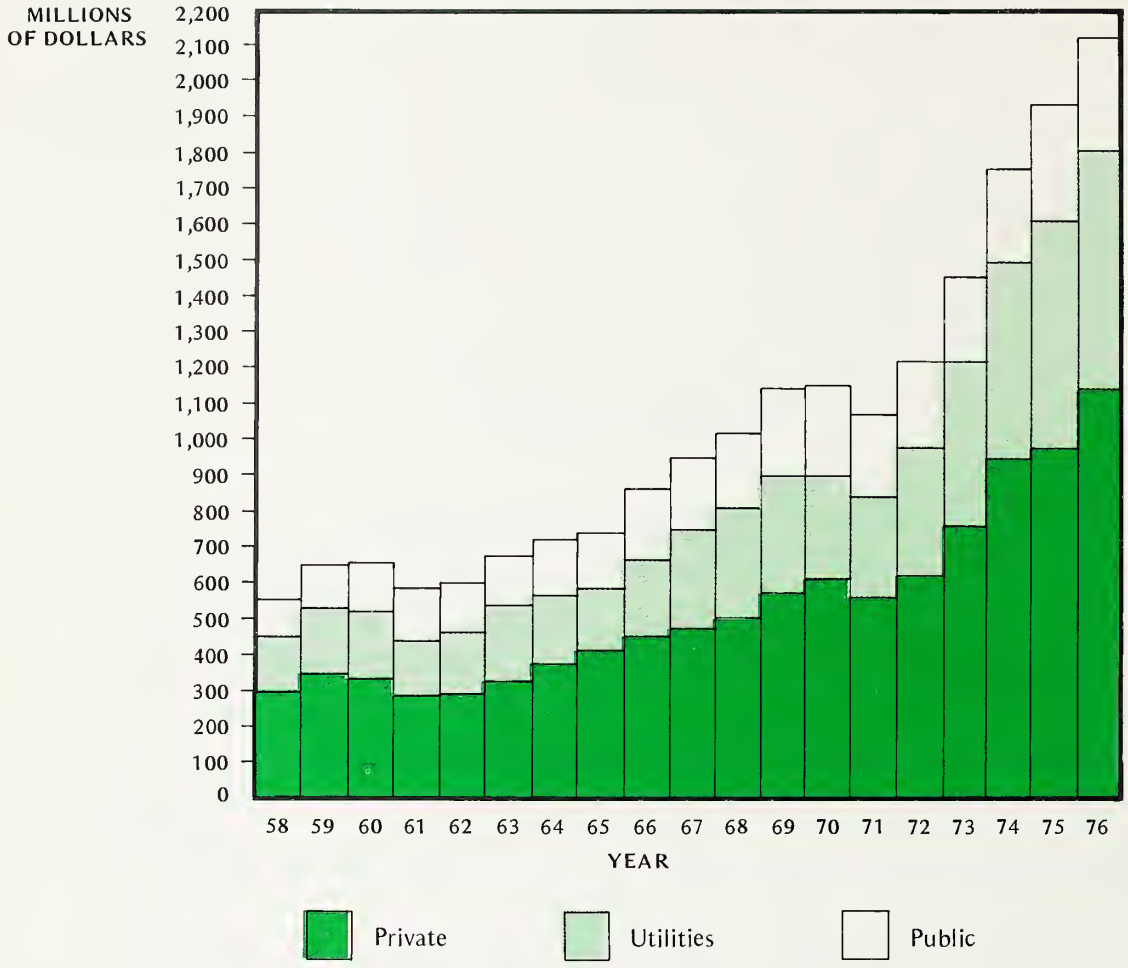
*New capital investment is made up of capital expenditures on new construction and on new machinery and equipment.

[1]Preliminary Actual.

Source: Statistics Canada.

PUBLIC AND PRIVATE INVESTMENT: MANITOBA

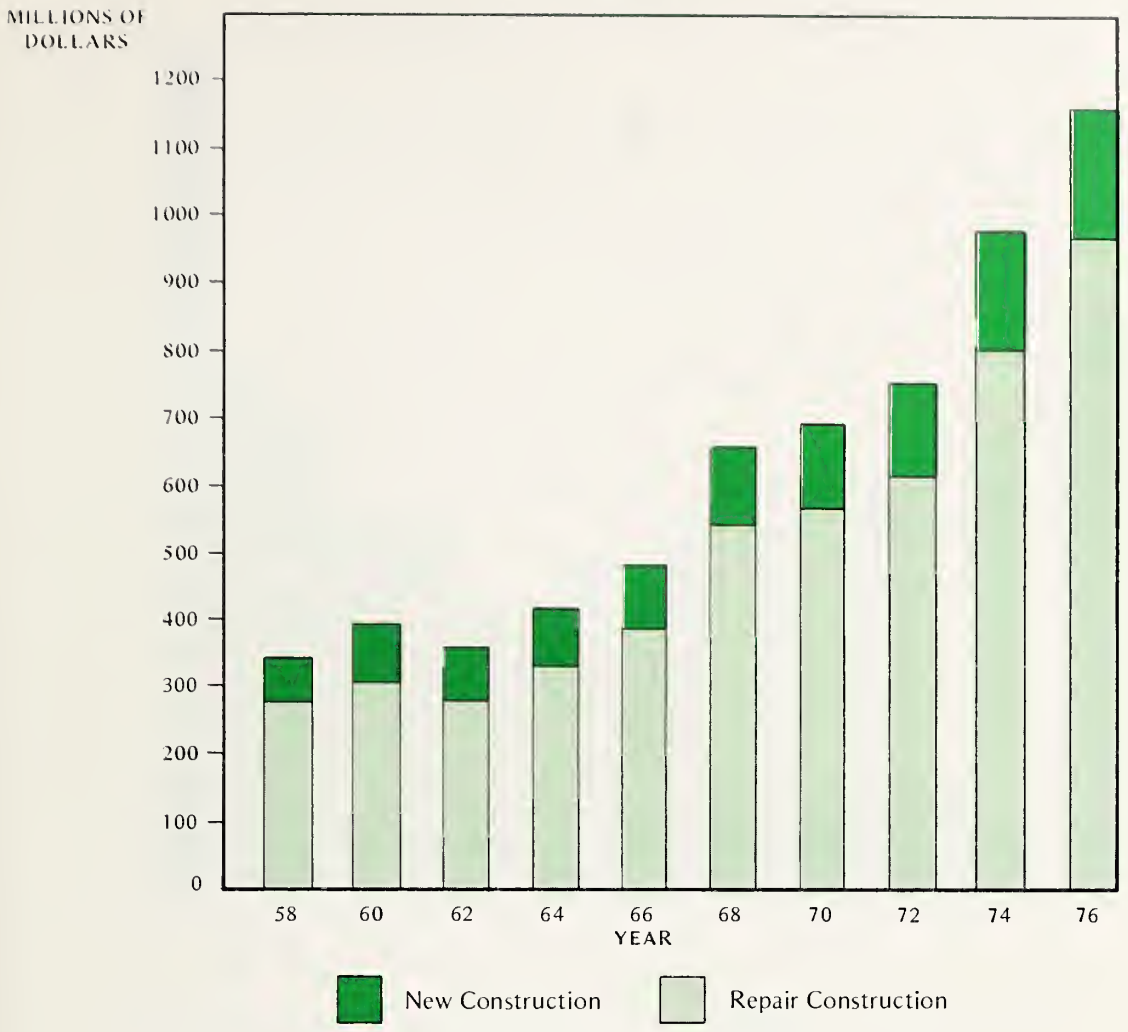
1958 - 1976



Year	Institutions and Government Departments	Utilities	Private Sector	Total	Percent Change Relative to the Previous Year	Construction	Machinery
			(MILLIONS OF DOLLARS)				
1958	97.7	156.3	296.0	550.0	—	345.1	204.9
1959	122.9	182.0	346.6	651.5	18.5	397.8	253.7
1960	140.8	178.2	339.4	658.4	1.1	396.3	262.1
1961	142.6	151.2	290.9	584.7	(11.2)	369.4	215.3
1962	131.5	170.2	294.7	596.4	2.0	361.0	235.4
1963	133.5	208.5	333.4	675.4	13.2	402.9	272.5
1964	148.1	190.9	380.3	719.3	6.5	421.0	298.3
1965	145.6	173.7	414.9	734.2	2.1	415.2	319.0
1966	193.5	201.2	465.4	860.1	17.1	485.4	374.7
1967	199.4	267.2	483.5	950.1	10.5	576.9	373.2
1968	212.8	305.4	501.0	1,019.2	7.3	644.8	374.4
1969	241.7	316.7	582.2	1,140.6	11.9	738.7	401.9
1970	250.4	291.6	606.7	1,148.7	0.7	701.8	446.9
1971	234.7	273.1	568.5	1,076.3	(6.3)	697.5	378.8
1972	232.9	357.2	657.4	1,247.5	15.9	754.3	493.2
1973	250.2	440.3	778.3	1,468.8	17.7	888.7	580.1
1974r	258.6	551.7	948.7	1,759.0	19.8	981.7	442.3
1975[1]	305.3	623.8	987.3	1,929.7	9.7	1,044.6	885.1
1976[2]	321.1	661.1	1,141.2	2,123.4	10.3	1,187.8	935.6

r - revised
1 - preliminary actual
2 - revised intentions
Source: Statistics Canada

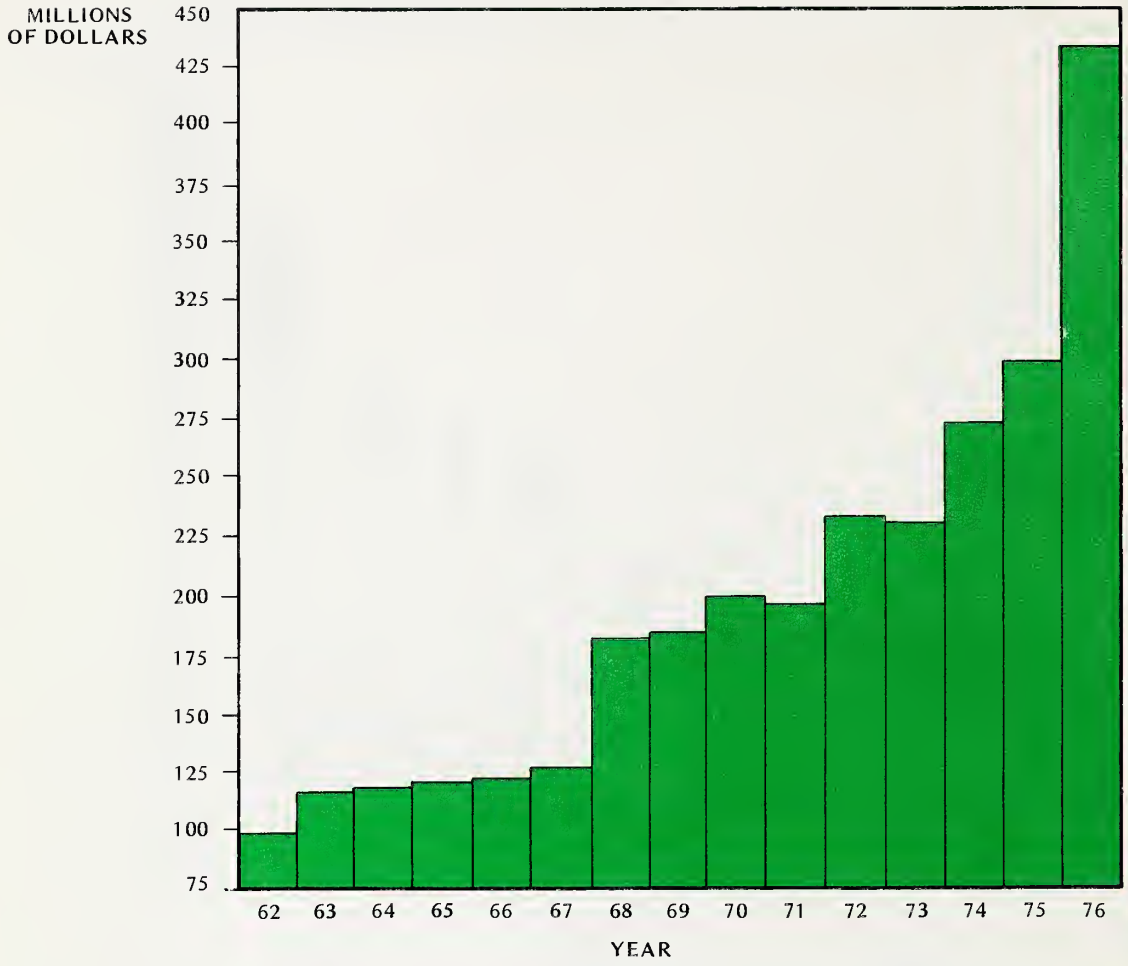
TOTAL VALUE OF CONSTRUCTION: MANITOBA
1958 - 1976



Year	New $'000	Percent Change Relative to the Previous Year	Repair $'000	Percent Change Relative to the Previous Year	Total $'000	Percent Change Relative to the Previous Year
1958	275,383	—	69,910	—	345,293	—
1959	314,674	14.2	83,095	18.8	397,769	15.1
1960	307,669	(2.3)	88,929	7.0	396,598	(0.3)
1961	283,409	(7.9)	86,253	(3.1)	369,662	(6.8)
1962	278,208	(1.9)	82,904	(3.9)	361,112	(2.4)
1963	321,154	15.4	81,768	(1.4)	402,922	11.5
1964	331,998	3.3	89,135	9.0	421,133	4.5
1965	323,755	(2.5)	91,358	2.4	415,113	(1.5)
1966	391,533	20.9	93,701	2.5	485,234	16.8
1967	449,510	14.8	108,212	15.4	557,722	14.9
1968	549,356	22.2	112,976	4.4	662,332	18.7
1969	640,360	16.5	113,243	0.2	753,603	13.7
1970	574,766	(10.3)	120,344	6.2	695,110	(7.8)
1971	548,281	(4.7)	122,789	2.0	671,070	(3.5)
1972	621,244	13.3	133,197	8.4	754,441	12.4
1973	735,378	18.3	153,509	15.2	888,887	17.8
1974	807,643	9.8	174,378	13.5	982,021	10.4
1975	858,988	6.3	186,068	6.7	1,045,056	6.4
1976p	974,096	13.4	195,053	4.8	1,169,149	11.8

p - preliminary
Source: Statistics Canada

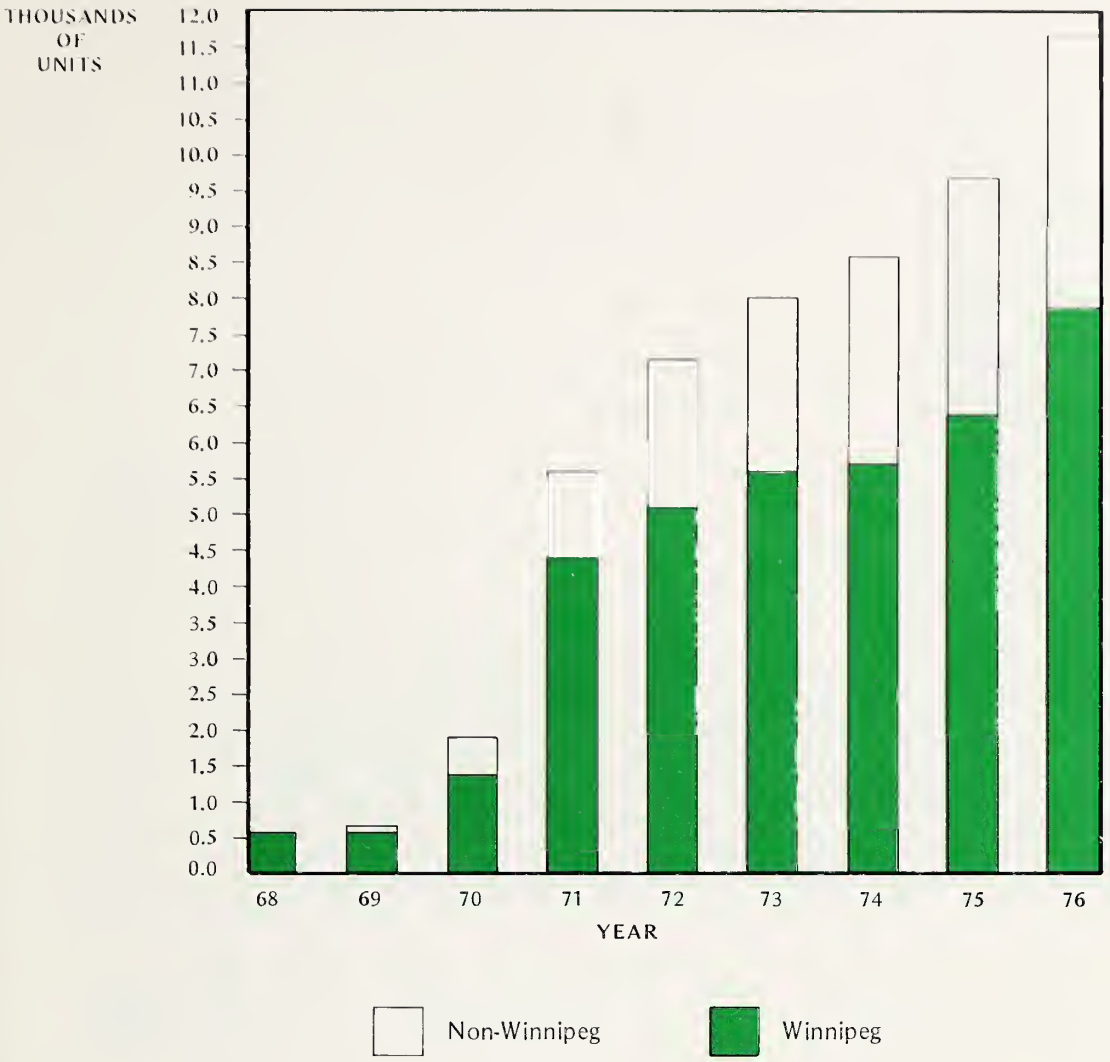
VALUE OF BUILDING PERMITS BY TYPE: MANITOBA
1962 - 1976



Year	Industrial	Commercial	Institutional & Government	Non Residential Total	Residential	Total	Percent Change Relative to the Previous Year
	Thousands of Dollars						
1962	7,776	24,683	24,044	56,503	42,882	99,385	—
1963	15,025	24,306	23,627	62,958	57,183	120,141	20.8
1964	19,218	21,664	25,442	66,324	55,064	121,388	1.0
1965	8,083	31,073	25,651	64,807	57,396	122,203	0.6
1966	12,951	25,300	36,109	74,360	47,953	122,313	0.0
1967	10,117	38,148	25,051	73,316	52,831	126,147	3.1
1968	20,481	25,657	60,125	106,263	74,243	180,506	43.0
1969	8,985	40,274	32,715	81,974	100,604	182,578	1.1
1970	19,134	26,784	74,157	120,075	79,684	199,759	9.4
1971	10,596	34,311	40,526	85,433	108,642	194,075	(2.9)
1972	14,306	39,773	47,106	101,185	122,776	233,961	15.3
1973	13,857	52,003	27,755	93,615	130,180	233,795	(0.1)
1974	19,104	71,840	39,671	130,615	142,870	273,485	22.2
1975	15,164	70,395	36,322	121,881	169,271	296,152	8.2
1976p	35,377	101,565	37,971	174,733	257,619	432,532	46.1

p - preliminary
Source: Statistics Canada

PUBLIC HOUSING STOCK: MANITOBA
1968-1976



Number of Units

Year	Total	Winnipeg	Rural	Elderly Persons Housing		Family	
				Winnipeg	Rural	Winnipeg	Rural
1968	568	568	0	136	0	432	0
1969	669	568	101	136	0	432	101
1970	1,906	1,411	495	610	214	801	281
1971	5,684	4,471	1,213	2,656	583	1,815	630
1972	7,277	5,184	2,093	3,269	1,090	1,915	1,003
1973	8,033	5,622	2,411	3,582	1,210	2,040	1,201
1974	8,628	5,772	2,856	3,679	1,412	2,093	1,444
1975	9,764	6,461	3,303	3,993	1,576	2,468	1,727
1976	11,712	7,979	3,733	4,817	1,791	3,162	1,942

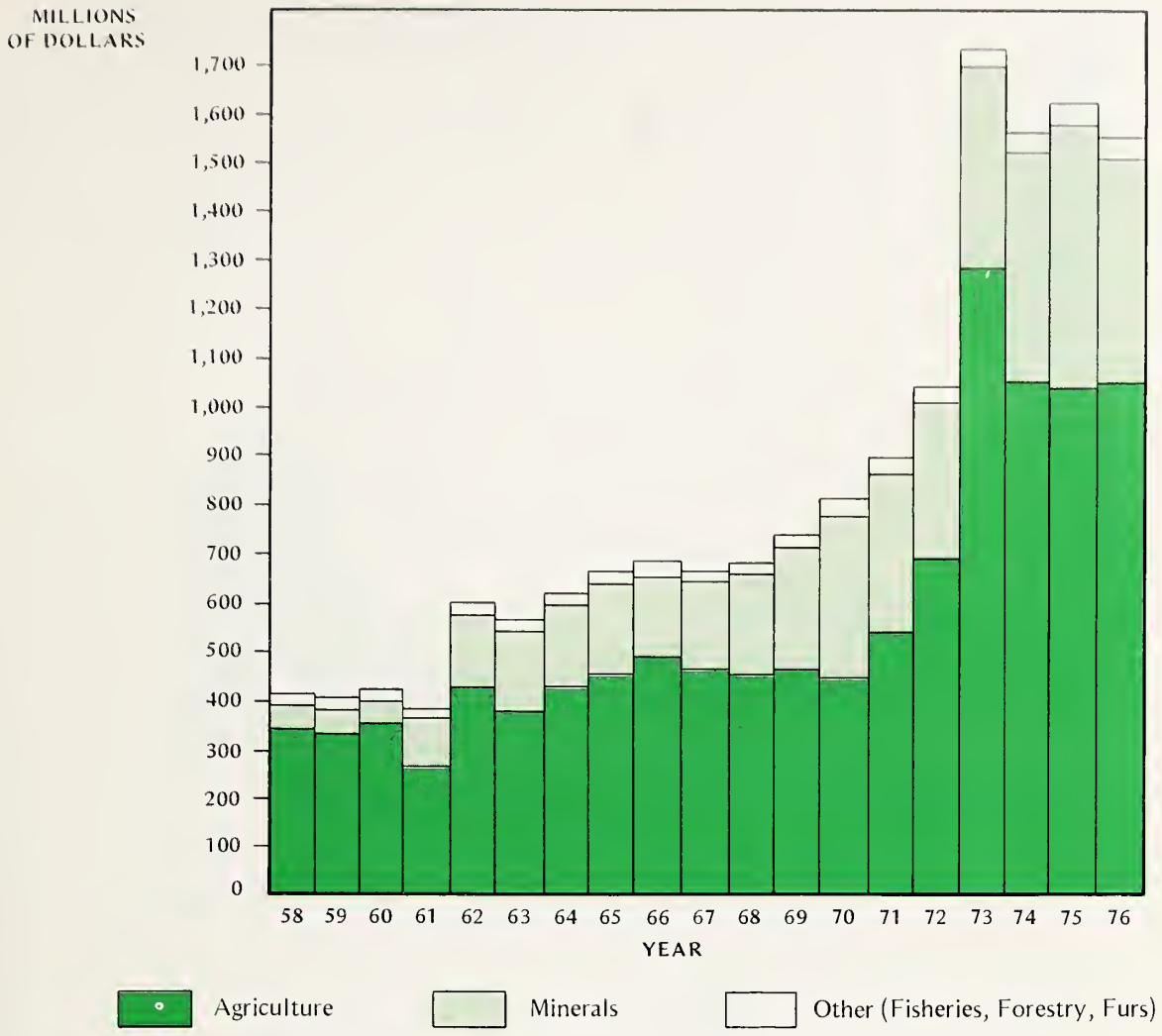
Source: Manitoba Housing And Renewal Corporation

Residential Dwelling Unit Starts and Completions: Manitoba 1958-1976

YEAR	STARTS				COMPLETIONS
	SINGLE DETACHED	ROW AND TWO FAMILY	APARTMENT	TOTAL	TOTAL
1958	4,815	370	1,317	6,502	5,743
1959	4,411	232	1,940	6,583	5,823
1960	3,539	444	1,149	5,132	6,475
1961	3,759	307	1,612	5,678	5,500
1962	3,279	519	891	4,689	4,831
1963	3,794	446	2,148	6,388	4,892
1964	4,270	642	1,740	6,652	6,597
1965	3,621	394	1,954	5,969	6,193
1966	3,200	325	1,727	5,252	5,416
1967	3,374	583	1,880	5,837	5,537
1968	2,649	511	3,296	6,456	5,878
1969	3,315	1,123	7,406	11,844	7,588
1970	3,068	1,824	4,053	8,945	9,320
1971	3,719	1,707	5,279	10,705	10,093
1972	4,889	1,287	5,892	12,068	10,071
1973	5,816	541	5,174	11,531	10,727
1974	5,405	920	2,427	8,752	12,164
1975	4,334	823	2,688	7,845	8,760
1976p	4,726	1,679	2,934	9,339	8,492

p — preliminary
Source: Statistics Canada

VALUE OF PRIMARY RESOURCES: MANITOBA
1958 - 1976



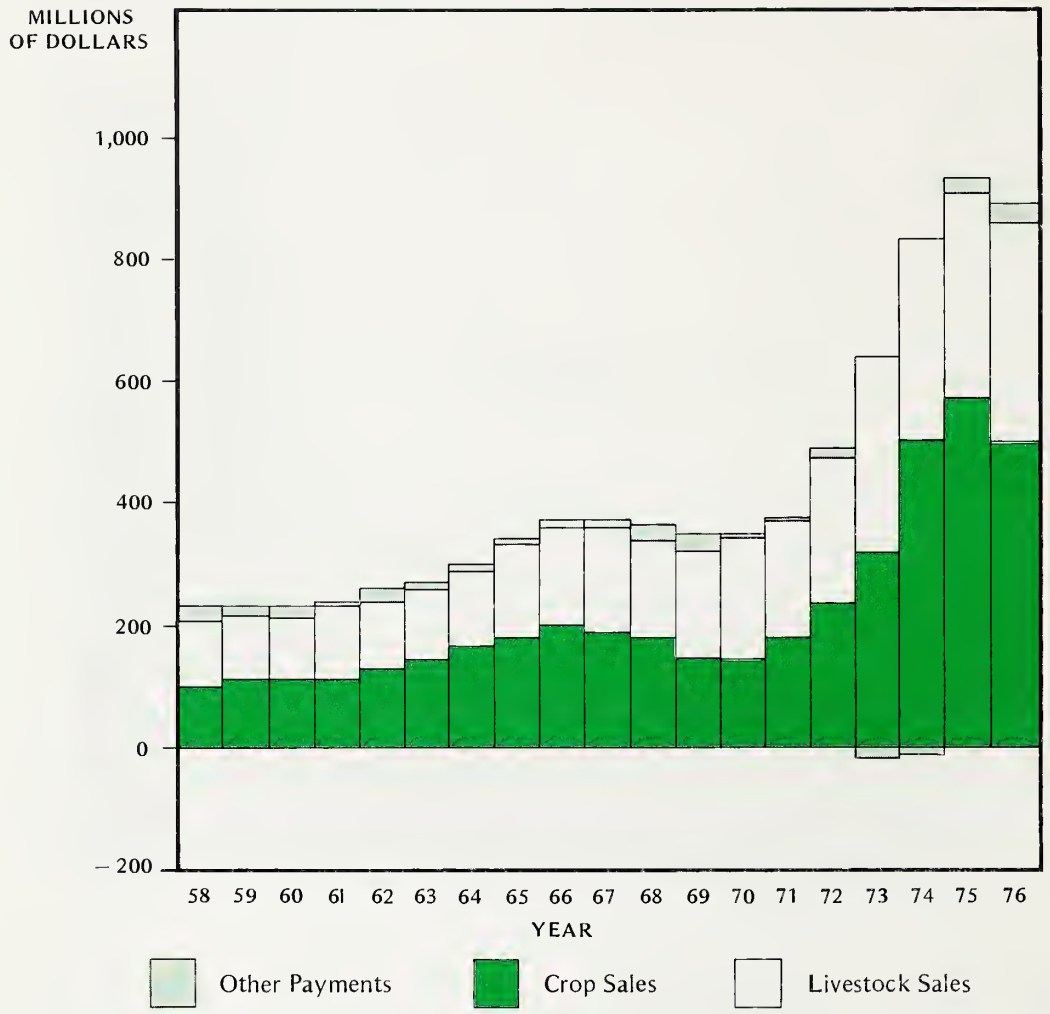
MILLIONS OF DOLLARS

Year	Agriculture	Minerals	Forestry	Fishery	Furs	Total
1958	341	57.1	7.5	6.3	1.8	413.7
1959	338	55.5	7.9	6.3	1.5	409.2
1960	352	58.7	7.4	6.5	1.7	426.3
1961	277	101.5	6.3	6.5	1.6	392.9
1962	426	159.0	10.4	5.7	1.4	602.5
1963	383	169.6	8.7	7.3	1.6	570.2
1964	433	174.3	9.3	7.4	1.7	625.7
1965	469	182.9	9.0	6.4	1.7	669.0
1966	492	179.4	10.2	7.0	2.2	690.8
1967	476	184.7	8.2	7.5	1.3	677.7
1968	462	209.6	9.5	4.7	1.6	687.4
1969	478	246.3	10.2	5.5	2.6	742.6
1970	459	331.9	11.7	8.3	2.0	812.9
1971	547	329.9	14.7	3.0	1.7	896.3
1972	694	323.3	19.9	3.8	2.5	1,043.5
1973	1,290	419.2	23.5	7.4	3.7	1,743.8
1974	1,054	486.2	31.8	8.4	3.1	1,583.5
1975p	1,047	529.6	30.6	8.6	2.6	1,618.4
1976p	1,053	479.3	32.0	10.2	4.3	1,578.8

p - preliminary
Source: Statistics Canada/Department of Agriculture/Department of Mines, Resources and Environmental Management/Department of Renewable Resources and Transportation Services

FARM CASH RECEIPTS: MANITOBA

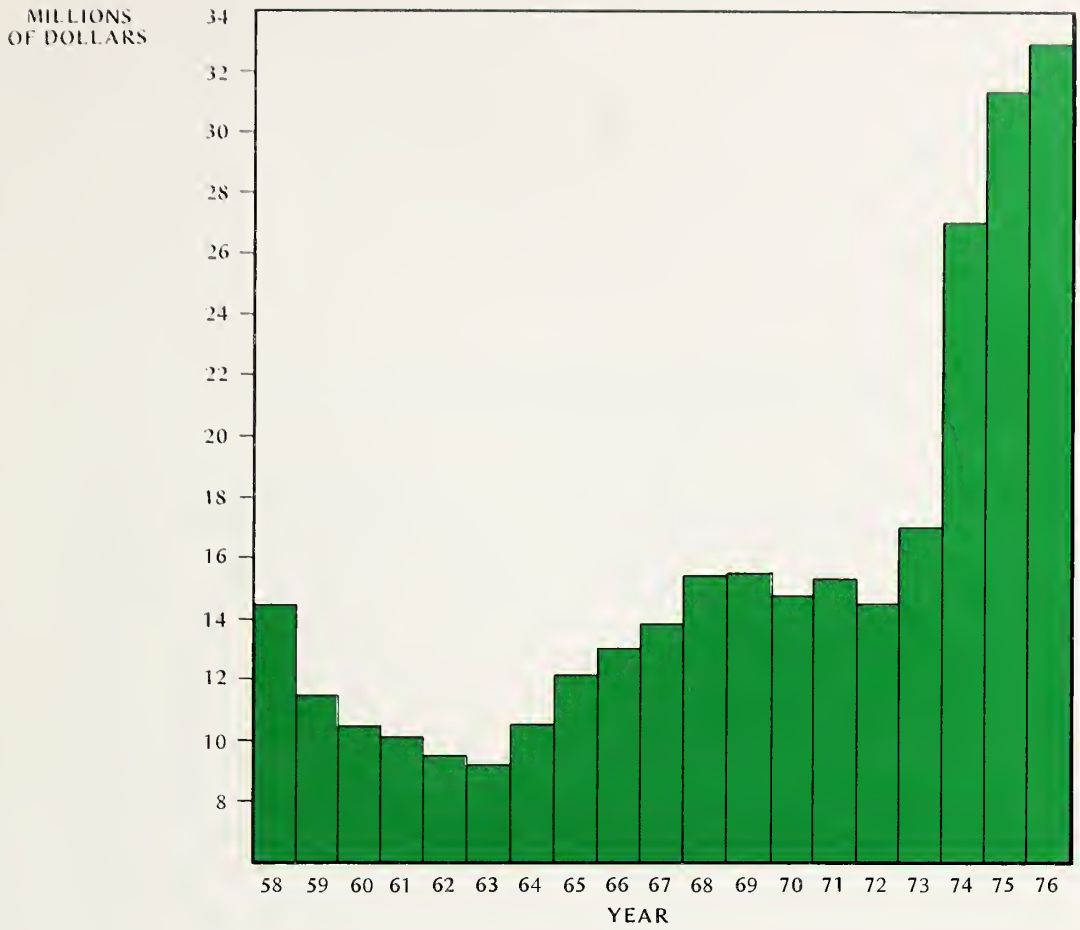
1958 - 1976



Year	Crop Sales	Livestock Sales	Other* Sources	Total	Percent Change Relative to the Previous Year
	(THOUSANDS OF DOLLARS)				
1958	100,752	115,667	14,384	230,803	—
1959	112,999	109,284	8,245	230,528	(0.1)
1960	113,551	103,085	16,031	232,667	0.9
1961	114,251	119,932	8,877	243,060	4.5
1962	136,175	108,195	17,159	261,529	7.6
1963	146,994	115,400	7,819	270,213	3.3
1964	170,174	121,566	7,994	299,734	10.9
1965	183,481	149,892	8,790	342,163	14.2
1966	201,188	168,536	7,462	377,186	10.2
1967	189,907	171,846	11,180	372,933	(1.1)
1968	173,715	171,404	19,697	364,816	(2.2)
1969	148,198	175,278	26,933	350,409	(4.0)
1970	148,578	201,142	-9,357	340,363	(2.9)
1971	172,785	204,040	1,590	378,415	11.2
1972	238,799	236,288	12,940	488,027	29.0
1973	323,261	317,461	-22,337	618,385	26.7
1974	505,639	333,811	-15,959	823,491	33.2
1975r	569,552	342,922	22,224	934,698	13.5
1976p	503,375	355,406	29,749	888,530	(4.9)

* May be negative due to Wheat Board repayments and deferred grain payments.
r - revised
p - preliminary
Source: Department of Agriculture/Statistics Canada

VALUE OF CRUDE OIL PRODUCTION: MANITOBA
1958 - 1976



YEAR	Value $	Percent Change Relative to the Previous Year
1958	14,264,513	–
1959	11,615,043	(18.6)
1960	10,690,384	(8.0)
1961	10,133,250	(5.2)
1962	9,499,987	(6.3)
1963	9,138,012	(3.3)
1964	10,694,329	16.5
1965	12,269,740	14.7
1966	13,086,922	6.7
1967	13,974,281	6.8
1968	15,561,173	11.4
1969	15,614,716	0.3
1970	14,858,129	(4.9)
1971	15,412,570	3.7
1972	14,588,006	(5.4)
1973	17,147,991	17.5
1974	27,164,000	58.4
1975	31,445,000	15.8
1976p	32,995,000	4.9

p - preliminary
Source: Department of Mines, Resources, and Environmental Management

Electrical Power Available: Manitoba
1961-1976

YEAR	KILOWATT HOURS* (Millions)	AVERAGE NET VALUE (Thousands of Dollars)
1961	4,908	41,137
1962	5,252	44,293
1963	5,778	47,344
1964	5,844	49,822
1965	6,264	51,931
1966	6,817	55,385
1967	7,207	58,541
1968	7,539	65,250
1969	8,097	73,235
1970	9,279	82,482
1971	10,319	90,294
1972	11,711	100,151
1973	13,286	110,738
1974r	15,449	137,230
1975r	15,580	164,258
1976p	15,271	199,032

r — revised
p — preliminary
*Reduction in 1976 due to low water levels
Source: Manitoba Hydro

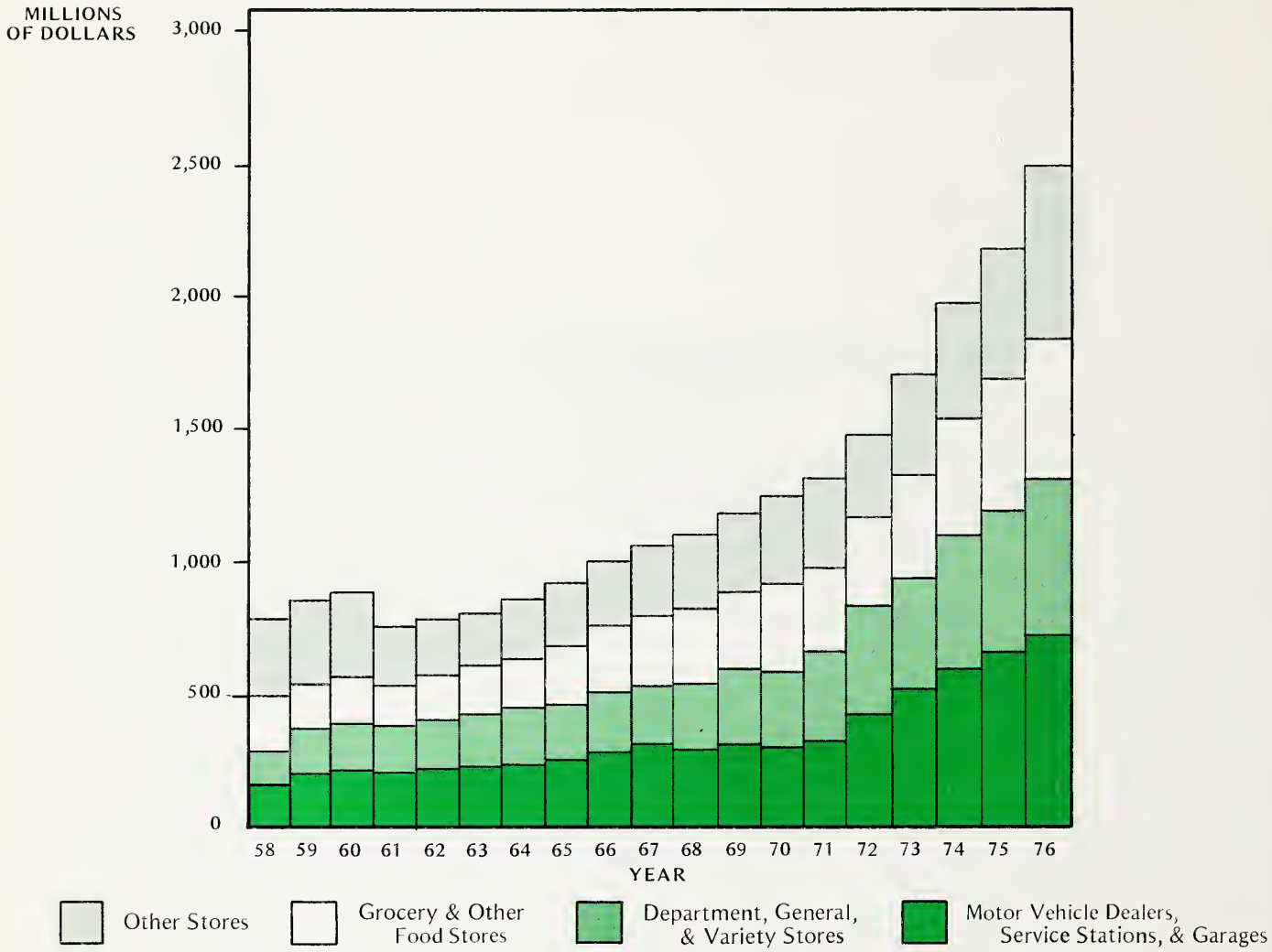
Composition of Manufacturing Shipments: Manitoba
(Millions of Dollars)
1962-1976

Year	Food and Beverage	Machinery and Transportation Equipment	Clothing and Textiles	Paper and Allied Industries	Other	TOTAL
1962	312	41	64	41	295	753
1963	313	54	68	45	304	794
1964	344	64	72	51	330	861
1965	352	74	78	50	359	913
1966	385	97	88	54	395	1,019
1967	406	116	88	52	415	1,080
1968	418	109	91	55	446	1,119
1969	453	143	96	61	477	1,230
1970	479	136	101	59	482	1,257
1971	496	140	117	68	525	1,346
1972	561	162	131	75	581	1,510
1973	721	211	133	94	681	1,840
1974	816	284	161	134	887	2,282
1975	838	417	170	164	966	2,554
1976p	866	416	179	192	989	2,643

p — preliminary
Source: Statistics Canada

VALUE OF RETAIL TRADE BY TYPE: MANITOBA

1958 - 1976



Year	Motor Vehicle Dealers, Service Stations, and Garages	Department, General, and Variety	Grocery and Other Food Stores	All Other Stores	Total
		MILLIONS OF DOLLARS			
1958	175	169	177	280	801
1959	201	181	184	302	870
1960	205	183	202	317	907
1961	202	189	185	191	767
1962	215	194	190	200	801
1963	225	202	198	202	827
1964	237	213	207	215	873
1965	252	223	215	228	918
1966	284	260	230	233	1,006
1967	302	278	238	254	1,073
1968	290	291	255	281	1,118
1969	301	313	273	300	1,188
1970	296	316	293	322	1,227
1971	329	342	307	340	1,318
1972	436	396	342	322	1,496
1973	522	431	383	360	1,699
1974	607	505	442	434	1,989
1975r	658	542	498	495	2,192
1976p	720	590	547	564	2,421

r - revised
p - preliminary
Source: Statistics Canada

Value of Cheques Cashed: Manitoba and Canada
(Millions of Dollars)
1958-1976

	MANITOBA		CANADA	
Year	$ Millions	Percent Change Relative to the Previous Year	$ Millions	Percent Change Relative to the Previous Year
1958	15,861	—	228,168	—
1959	17,158	8.2	256,238	12.3
1960	19,081	11.2	277,809	8.4
1961	21,131	10.7	302,743	9.0
1962	21,191	0.3	335,798	10.9
1963	26,496	25.0	371,826	10.7
1964	27,284	3.0	430,263	15.7
1965	30,921	13.3	491,028	14.1
1966	33,715	9.0	537,826	9.5
1967	35,372	4.9	585,080	8.8
1968	34,184	(3.4)	636,698	8.8
1969	36,436	6.6	735,405	15.5
1970	39,897	9.5	817,910	11.2
1971	43,166	8.2	919,462	12.4
1972	47,800	10.7	1,065,935	15.9
1973	59,161	23.8	1,369,974	28.5
1974	81,405	37.6	1,698,780	24.0
1975	93,585	15.0	2,138,580	25.9
1976p	105,140	12.3	2,469,599	15.5

p — preliminary
Source: Statistics Canada

Credit Unions & Caisses Populaires: Manitoba
1958-1976

Year	Loans Outstanding	Total Assets	Percent Change Relative to the Previous Year	Members' Deposits	Total Liabilities	Percent Change Relative to the Previous Year	Membership	Percent Change Relative to the Previous Year
	($)	($)		($)	($)			
1958	22,565,940	27,768,176	—	25,914,712	27,768,176	—	74,219	—
1959	27,079,394	34,914,689	25.7	32,597,549	34,914,689	25.7	83,419	12.4
1960	35,279,510	42,378,657	21.4	n/a	42,378,657	21.4	92,622	11.0
1961	41,681,185	50,508,729	19.2	46,783,982	50,508,729	19.2	101,162	9.2
1962	49,701,601	60,603,037	20.0	56,005,670	60,603,037	20.0	109,749	8.5
1963	60,857,331	73,687,430	21.6	68,111,769	73,687,430	21.6	119,017	8.4
1964	74,956,643	88,969,257	20.7	80,827,046	88,969,257	20.7	132,451	11.3
1965	87,068,754	104,899,769	17.9	96,706,190	104,899,769	17.9	144,641	9.2
1966	101,399,848	124,417,601	18.6	114,630,503	124,417,601	18.6	157,745	9.1
1967	116,399,848	142,738,607	14.7	131,318,836	142,738,607	14.7	168,195	6.6
1968	128,540,441	157,077,311	10.0	143,851,055	157,077,311	10.0	177,574	5.6
1969	139,703,856	166,321,384	5.9	144,074,603	166,321,384	5.9	183,987	3.6
1970	148,646,201	180,805,645	8.7	145,828,697	180,805,645	8.7	187,225	1.8
1971	172,991,000	225,405,000	24.7	207,342,000	225,405,000	24.7	202,124	8.0
1972	224,579,000	299,301,000	32.8	278,295,000	299,301,000	32.8	225,950	11.8
1973	305,610,000	402,232,000	34.4	368,556,000	402,232,000	34.4	251,463	11.3
1974	389,113,000	491,848,000	22.3	440,361,000	491,848,000	22.3	272,387	8.3
1975	487,417,000	638,346,000	29.9	596,248,000	638,346,000	29.9	295,354	8.4
1976e	625,000,000	775,000,000	21.4	740,000,000	775,000,000	21.4	315,000	6.7

e — estimate
Source: Department of Cooperative Development

Tourism Expenditures: Manitoba
1958-1976

(Millions of Dollars)

Year	$ Millions	Percent Change Relative to the Previous Year
1958	33	—
1959	35	6.1
1960	36	2.9
1961	37	2.8
1962	40	8.1
1963	43	7.5
1964	46	7.0
1965	51	10.9
1966	61	19.6
1967	72	18.0
1968	70	(2.8)
1969	77	10.0
1970	81	5.2
1971	78	(3.7)
1972	88	12.8
1973	97	10.2
1974	102	5.2
1975	108	5.9
1976p	112	3.7

p — preliminary
All expenditures by non-residents
Source: Department of Tourism

Report of the Commission on Targets for Economic Development
Selected Targets and Actual Outcome: Manitoba*

(1966 Dollars)

	T.E.D. Target 1975	Actual 1975	Actual 1976	T.E.D. Target 1980
Personal Income Per Capita ($)	2,811	3,480	3,661	3,347
Total Personal Income ($ Millions)	3,086	3,546	3,763	4,050
Total Gross Output ($ Millions)	4,115	3,954	4,125	5,400
Labour Force ('000)	434	440	449	489
Employment ('000)	423	420	428	447

	1966-70 (% Change)	1970-75 (% Change)
Real Personal Income Per Capita		
Target	12.3	20.7
Actual	18.4	38.8
Total Real Personal Income		
Target	16.1	33.0
Actual	20.9	43.9
Total Real Gross Output		
Target	16.1	33.0
Actual	14.5	26.2
Labour Force		
Target	6.4	14.2
Actual	6.4	15.8
Employment		
Target	6.5	14.2
Actual	4.3	15.7

*"Actual" may be higher/lower than "target" in terms of percentage change when lower/higher than "target" in terms of levels, since actual level in base period may differ from target.

Source: T.E.D. Report/Statistics Canada/Department of Finance.

Financial Statistics

APPENDIX B — FINANCIAL STATISTICS

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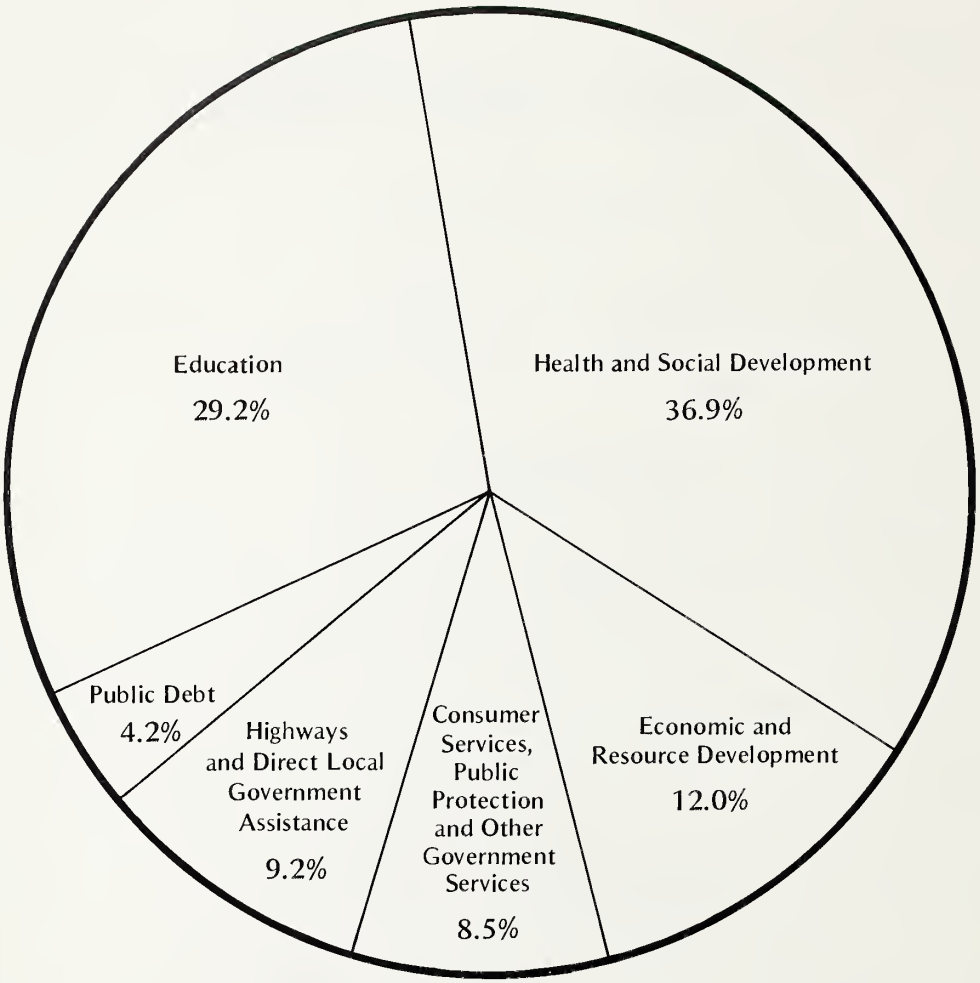
BUDGETARY (CURRENT) EXPENDITURES
FISCAL 1977-78



(Millions of Dollars)

Education	$ 340.5
Health and Social Development	430.0
Economic and Resource Development	140.0
Consumer Services, Public Protection and Other Government Services	99.1
Highways and Direct Local Government Assistance	107.6
Public Debt	49.4
TOTAL	$1,166.6

Main and Supplementary Estimates of Current Expenditure
Fiscal 1976-77 and 1977-78

		Fiscal 1976-77	% of Total	Fiscal 1977-78	% of Total
1. Education					
(a) Continuing Education and Manpower	Main	$ 126,426,300		$ 140,354,900	
(b) Education	Main	177,578,400		192,593,000	
	Supplementary	6,971,500		7,498,800	
		$ 310,976,200	29.0	$ 340,446,700	29.2
2. Health and Social Development	Main	$ 398,162,800		$ 430,026,800	
	Supplementary	807,100		—	
		$ 398,969,900	37.3	$ 430,026,800	36.9
3. Economic and Resource Development					
(a) Agriculture	Main	$ 41,272,900		$ 30,046,700	
	Supplementary	251,800		3,650,000	
(b) Co-operative Development	Main	1,480,400		1,634,400	
(c) Industry and Commerce	Main	18,964,500		23,143,300	
(d) Mines, Resources and Environmental Management	Main	19,331,100		21,508,500	
	Supplementary	1,634,600		—	
(e) Development Agencies	Main	1,092,600		653,000	
(f) Northern Affairs	Main	16,979,800		14,806,400	
(g) Renewable Resources and Transportation Services	Main	16,519,500		17,601,500	
	Supplementary	1,490,900		—	
(h) Tourism, Recreation and Cultural Affairs	Main	23,546,000		25,384,200	
(i) General Development Agreement	Main	250,000		225,000	
(j) Canada-Manitoba DREE Agreements	Supplementary	400,000(1)		1,392,700	
		$ 143,214,100	13.4	$ 140,045,700	12.0
4. Consumer Services, Public Protection and Other Government Services					
(a) Legislation	Main	$ 2,947,100		$ 3,178,600	
(b) Executive Council	Main	3,969,200		4,031,500	
(c) Attorney-General	Main	23,370,100		27,555,400	
	Supplementary	207,400		—	
(d) Consumer, Corporate and Internal Services	Main	2,590,800		3,551,300	
	Supplementary	673,700		—	
(e) Civil Service	Main	11,724,200		11,175,700	
(f) Finance (excluding Public Debt)	Main	7,865,800(2)		7,920,300	
(g) Labour	Main	3,241,900		3,774,500	
	Supplementary	169,400		365,100	
(h) Public Works	Main	26,797,600		26,532,000	
	Supplementary	730,000		—	
(i) Flood Control and Emergency Expenditures	Main	3,000,000		1,000,000	
(j) General Salary Increase	Main	— (3)		10,000,000	
		$ 87,287,200	8.2	$ 99,084,400	8.5
5. Highways and Direct Local Government Assistance					
(a) Highways	Main	$ 90,346,000		$ 93,100,000	
(b) Municipal Affairs	Main	11,536,600		13,203,100	
(c) Urban Affairs	Main	1,165,100		1,268,800	
	Supplementary	200,000		—	
		$ 103,247,700	9.6	$ 107,571,900	9.2
6. Public Debt	Main	$ 27,125,000	2.5	$ 49,425,000	4.2
		$1,070,820,100(2)	100.0	$1,166,600,500	100.0

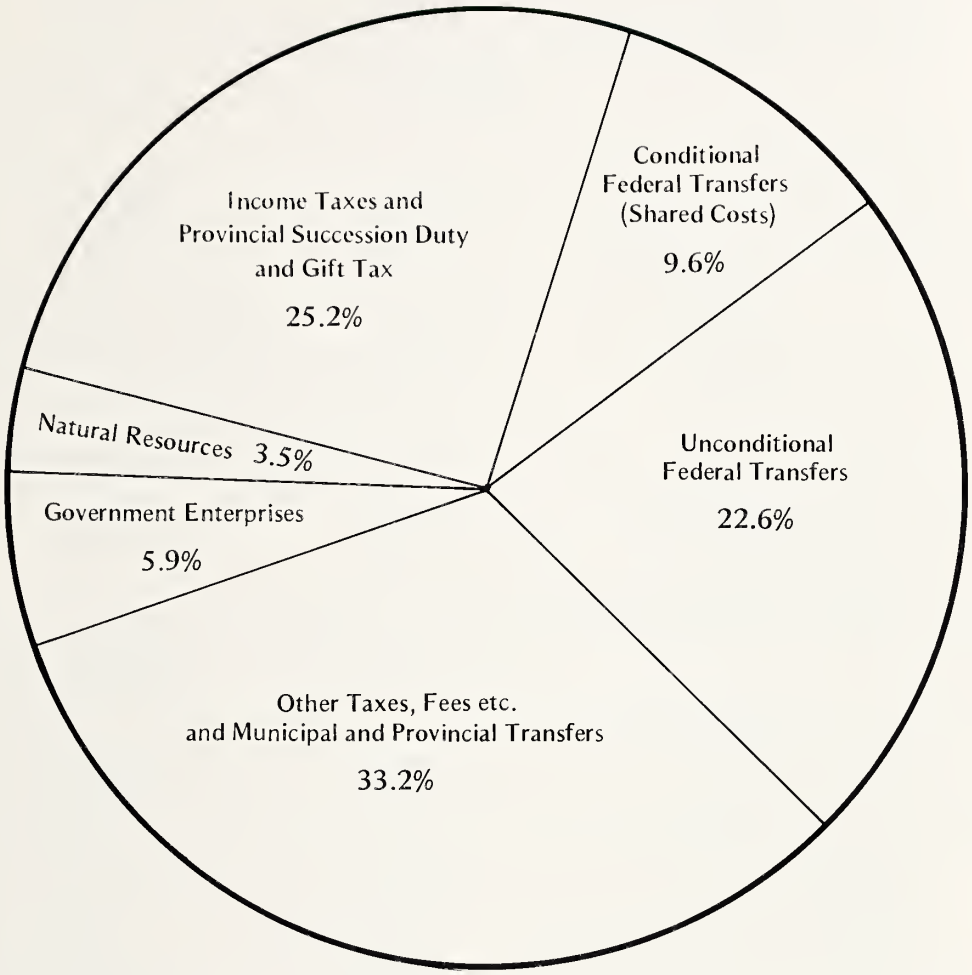
(1) An additional amount of $2,244,000 was voted for DREE. This has been transferred to departmental appropriations.
(2) The Tax Credit Plans, voted as current expenditures in 1976-77, have been removed to permit meaningful comparison with 1977-78.
(3) The $10,000,000 included in the 1976-77 Appropriation Act has been allocated to departmental appropriations.

Detailed Supplementary Estimates of Current Expenditure of the Province of Manitoba For the Fiscal Year Ending March 31st, 1978

Appropriation No.	SERVICE	Details of Appropriations	Year Ending March 31st 1978	Resolution No.
	AGRICULTURE (III)			
1	GENERAL ADMINISTRATION	$3,650,000		1
	(b) Farm Income Assurance Plan $3,650,000			
	TOTAL FOR AGRICULTURE		$ 3,650,000	
	EDUCATION (XXI)			
3	FINANCIAL SUPPORT — PUBLIC SCHOOLS	$7,498,800		2
	(a) School Grants and Other Assistance $7,498,800			
	(Recoverable from Canada — $2,753,900)			
	TOTAL FOR EDUCATION		$ 7,498,800	
	LABOUR (XI)			
2	WORKPLACE SAFETY AND HEALTH	$ 365,100		3
	(e) Safety and Health			
	(1) Salaries $ 285,500			
	(2) Other Expenditures 79,600			
	TOTAL FOR LABOUR		$ 365,100	
	CANADA-MANITOBA D.R.E.E. AGREEMENTS (XXII)			
1	CANADA-MANITOBA D.R.E.E. AGREEMENTS	$1,392,700		4
	(Recoverable from Canada — $ 805,600)			
	TOTAL FOR CANADA-MANITOBA D.R.E.E. AGREEMENTS		$ 1,392,700	
	TOTAL SUMS TO BE VOTED		$12,906,600	

BUDGETARY (CURRENT) REVENUES

FISCAL 1977-78



(Millions of Dollars)

Income Taxes and Provincial Succession Duty and Gift Tax	$ 292.3
Conditional Federal Transfers (Shared Costs)	111.0
Unconditional Federal Transfers	260.7
Other Taxes, Fees etc. and Municipal and Provincial Transfers	385.0
Government Enterprises	68.0
Natural Resources	41.0
TOTAL	**$1,158.0**

Revenue Estimates — Fiscal 1976-77 and 1977-78

	Fiscal 1976-77	% of Total	Fiscal 1977-78	% of Total
1. Income Taxes and Provincial Succession Duty and Gift Tax				
(a) Individual Income Tax	$ 172,186,700		$ 190,971,000	
(b) Corporation Income Tax	79,046,400		96,333,000	
(c) Manitoba Succession Duty and Gift Tax	7,500,000		5,000,000	
	$ 258,733,100	24.5	$ 2,292,304,000	25.2
2. Unconditional Federal Transfers				
(a) National Equalization	$ 157,600,000		$ 187,900,000	
(b) Income Tax Revenue Guarantee	51,000,000		17,000,000	
(c) Residual Programs Transfers	18,918,000		53,670,200	
(d) Government of Canada Subsidy	2,156,000		2,156,000	
	$ 229,674,000	21.7	$ 260,726,200	22.6
3. Conditional Federal Transfers (Shared Costs)	$ 102,528,800	9.7	$ 111,047,500	9.6
4. Natural Resources				
(a) Agriculture	$ 301,300		$ 447,500	
(b) Finance	19,040,000(1)		27,940,000(1)	
(c) Mines, Resources and Environmental Management	6,216,100		6,356,000	
(d) Northern Affairs	81,400		100,000	
(e) Renewable Resources and Transportation Services	3,530,200		3,731,000	
(f) Tourism, Recreation and Cultural Affairs	2,214,100		2,410,300	
	$ 31,383,100	3.0	$ 40,984,800	3.5
5. Other Taxes, Fees, Etc. and Municipal and Provincial Transfers				
(a) Legislation	$ 448,000		$ 508,500	
(b) Attorney-General	9,352,300		11,954,300	
(c) Continuing Education and Manpower	1,422,000		1,117,100	
(d) Consumer, Corporate and Internal Services	1,094,400		1,296,000	
(e) Co-operative Development	7,000		5,900	
(f) Education	100,200		139,400	
(g) Finance: Retail Sales Tax	189,500,000		198,000,000	
: Other	112,848,000		128,230,000	
(h) Health and Social Development	482,000		653,000	
(i) Highways	26,621,000		24,805,000	
(j) Labour	491,800		577,400	
(k) Municipal Affairs	26,900		100,000	
(l) Public Works	1,564,800		2,151,000	
(m) Miscellaneous Receipts for Sundry Services	21,638,200		12,101,600	
(n) Municipal and Provincial Transfers	3,070,500		3,305,800	
	$ 368,667,100	34.8	$ 384,945,000	33.2
6. Government Enterprises (Liquor Control Commission)	$ 67,000,000	6.3	$ 68,000,000	5.9
	$1,057,986,100	100.0	$1,158,007,500	100.0

(1) Includes Mining Royalty Tax, Mining Claim Lease Tax, Mineral Tax, Mineral Acreage Tax, Mineral Tax (Incremental) and Metallic Minerals Tax.

1977-78 Capital Authority Requirements
($'000)

Schedule "A"

SELF-SUSTAINING PROGRAMS	1976-77	1977-78
The Manitoba Hydro-Electric Board	$200,700.0	$278,800.0
Manitoba Telephone System	49,500.0	42,500.0
The Manitoba Water Services Board	3,000.0	3,817.0
The Manitoba School Capital Financing Authority	18,000.0	19,000.0
Manitoba Mineral Resources Ltd.	638.0	—
The Manitoba Housing and Renewal Corporation	15,000.0	64,100.0
Leaf Rapids Development Corporation Ltd.	—	8,525.0
Manitoba Forestry Resources Ltd.	3,800.0	4,500.0
Manitoba Development Corporation	19,600.0	—
	$310,238.0	$421,242.0

Schedule "B"

DIRECT GOVERNMENT PROGRAMS		1976-77		1977-78
Educational Purposes				
(a) Community Colleges		$ 1,578.7		$ 1,189.0
(b) Universities		4,036.3		4,000.0
Grants re Municipal Sewer and Water System		1,800.0		2,000.0
Water Control Works		1,260.0		1,260.0
General Development Agreement		9,224.0		10,000.0
General Purposes		69,256.2		82,471.4
(a) Red River Community College — Remedial Structure Repairs	$ —		$ 4,259.0	
(b) Universities Centennial Projects	—		3,500.0	
(c) Education	158.0		8,615.0	
(d) Health and Social Development	4,378.0		3,506.0	
(e) Highways	6,050.0		20,573.8	
(f) Mines, Resources and Environmental Management	6,564.0		6,364.3	
(g) Northern Affairs	1,850.0		3,431.6	
(h) Public Works	27,466.3		21,563.0	
(i) All Other Departments	22,789.9		10,658.7	
		$ 87,155.2		$100,920.4
		$397,393.2		$522,162.4

Summarized Statement of Direct Public Debt
As of March 31, 1976
(in thousands of dollars)

Funded Debt:		
Bonds and Debentures:		
Payable in Canadian Dollars		$ 673,650
Payable in United States Dollars		250,000
Payable in European Units of Account (E.U.A. 50,400,000)		59,920
Payable in Swiss Francs (Sfr. 180,000,000)		61,334
		1,044,904
Treasury Bills and Other Notes:		
Payable in Canadian Dollars		88,078
Total Funded Debt		1,132,982
Unfunded Debt:		
Accrued Interest and Other Charges		23,127
Accounts Payable		3,554
Funds held in Trust and for Special Purposes		113,600
Total Unfunded Debt		140,281
Total Direct Public Debt		$1,273,263
The Province considered the assets set forth below to be proper deductions in arriving at its Net Direct Public Debt as of March 31, 1976.		
Less:		
Sinking Fund — Cash and Investments		$ 115,914
Special Reserve for Retirement of Debt		20,845
Cash held for Debt Retirement		5,697
Other Cash on Hand and in Banks — Net		58,369
Temporary and Other Investments		36,340
Debentures of and Advances to Manitoba Forestry Resources Ltd.		49,075
Advances to Manitoba Hydro	$351,188	
Less: Premium on U.S. Funds	10,086	
Sinking Funds included above	18,826	322,276
Advances to Manitoba Telephone System	105,654	
Less: Sinking Funds included above	8,386	97,268
Advances to Manitoba Agricultural Credit Corp		68,576
Advances to Manitoba Housing and Renewal Corp.	35,163	
Less: Sinking Funds included above	851	34,312
Advances to Municipalities and Schools		15,145
Debentures of and Advances to Leaf Rapids Corp.		7,184
Other Advances — Net		18,559
Total Deductions		849,560
Net Direct Public Debt		$ 423,703

Note: The financial statement of Manitoba Development Corporation shows a deficit on operations of $27,637,854 at March 31, 1976, after assumption by the Province of all loans relating to The Pas Complex.

Source: Department of Finance

Statement of Guarantees Outstanding by Class of Borrower

	December 31, 1975	March 31, 1976	December 31, 1976
Guaranteed as to Principal and Interest:			
Manitoba Hydro	$1,243,999,326	$1,348,393,796	$1,600,398,094
Manitoba Telephone System	219,158,000	219,158,000	239,158,000
Manitoba Water Services Board	5,977,000	5,977,000	5,977,000
Manitoba Development Corporation	50,400,000	—	—
Manitoba School Capital Financing Authority	132,369,000	135,369,000	152,705,000
Manitoba Agricultural Credit Corporation	8,850,000	8,850,000	8,850,000
University of Manitoba	26,181,431	26,181,231	26,057,450
Hospitals and Others	7,540,246	7,412,161	7,118,355
	$1,694,475,003	$1,751,341,188	$2,040,263,899
Guaranteed as to Interest only:			
School Districts	$ 1,146,434	$ 1,146,434	$ 1,146,434
Municipalities	553,832	553,832	553,832
	$ 1,700,266	$ 1,700,266	$ 1,700,266
	$1,696,175,269	$1,753,041,454	$2,041,964,165

Note: Sinking Funds and other Debt Retirement Funds at December 31, 1976, Total:

(a) For General Purpose Debt	$112,247,916
(b) For Self-Sustaining Direct and Guaranteed Debt	$140,147,826
	$252,395,742

Source: Department of Finance

Manitoba Government Debt Charges as a Per Cent of Current Expenditures: 1960-61 to 1977-78

	Current Expenditures ($ millions)	Public Debt Charges ($ millions)	Debt Charges as % of Current Expenditures
1960-61	93.7	5.0	5.34
1961-62	104.2	7.8	7.49
1962-63	120.0	8.8	7.33
1963-64	130.5	10.0	7.66
1964-65	150.9	11.4	7.55
1965-66	195.4	17.9	9.16
1966-67	291.6	14.6	5.01
1967-68	345.6	16.6	4.80
1968-69	355.9	18.4	5.17
1969-70	394.3	9.3	2.36
1970-71	460.9	8.7	1.89
1971-72	532.8	16.8	3.15
1972-73	567.6	4.2	.74
1973-74	657.0	13.7	2.09
1974-75	815.2	27.5	3.37
1975-76	994.9	34.8	3.50
1976-77	1,070.8	27.1	2.53
1977-78	1,166.6	49.4	4.23

Source: 1960-61 through 1975-76 — Public Accounts
1976-77 and 1977-78 — Estimates
Tax Credits have been deleted in all cases for comparability.

Per Capita Provincial Government Revenues and Expenditures 1976/77 Fiscal Year

Province	Per Capita Revenues			Per Capita Expenditures**
	"Own Source" Revenues*	Transfer Payment Revenues	Revenues	
	$	$	$	$
Newfoundland	878*(7)*	835	1,711*(5)*	1,843*(3)*
Prince Edward Island	753*(9)*	1,073	1,826*(2)*	1,928*(2)*
Nova Scotia	738*(10)*	691	1,428*(9)*	1,463*(10)*
New Brunswick	783*(8)*	727	1,510*(7)*	1,608*(7)*
Quebec	1,423*(2)*	378	1,801*(3)*	1,802*(4)*
Ontario	1,087*(5)*	297	1,384*(10)*	1,540*(9)*
Manitoba	957*(6)*	499	1,455*(8)*	1,548*(8)*
Saskatchewan	1,315*(4)*	425	1,741*(4)*	1,611*(6)*
Alberta	2,037*(1)*	318	2,355*(1)*	1,946*(1)*
British Columbia	1,331*(3)*	289	1,620*(6)*	1,613*(5)*
10-Province Average	1,255	378	1,633	1,663

Source: Statistics Canada.

Population data — June 1, 1976 (Intercensal estimates — not census date); Revenue and expenditure data — from Statistics Canada publication 68-205 — Provincial Government Finance: Revenue and Expenditure (Estimates) — This publication is the standard reference for comparable provincial finance data.

*"Own Source" Revenues include all taxation revenues plus natural resource revenues, etc.

**Includes "general purpose" capital expenditures and tax credits.

Ranking: *(1)* = *"highest"*
(10) = *"lowest"*

Comparison of Provincial Government Spending Increases (Before Netting Income-Related Tax Credits)
1969/70 to 1976/77

	"Gross General Expenditures" ($ millions) 1969/70	1976/77	Percentage Increase 1969/70 to 1976/77
Newfoundland	327.0	1,026.3	+214%
Prince Edward Island	68.2	231.3	+239%
Nova Scotia	445.3	1,217.4	+173%
New Brunswick	372.1	1,106.5	+197%
Quebec	3,342.0	11,249.6	+237%
Ontario	4,265.9	12,832.2	+201%
Manitoba	515.9	1,591.7	+209%
Saskatchewan	499.0	1,506.2	+202%
Alberta	1,030.7	3,552.9	+245%
British Columbia	1,179.2	4,018.2	+241%
10-Province Total	12,045.4	38,332.3	+218%

Source: Statistics Canada publications 68-205 and 68-207.
The Statistics Canada series are used for comparability. The figures include general purposes capital, etc.

Comparison of Provincial Government Spending Increases (After Netting Income-Related Tax Credits)
1969/70 to 1976/77

	"Gross General Expenditures" ($ millions)		Percentage Increase
	1969/70	1976/77	1969/70 to 1976/77
Newfoundland	327.0	1,026.3	+214%
Prince Edward Island	68.2	231.3	+239%
Nova Scotia	445.3	1,217.4	+173%
New Brunswick	372.1	1,106.5	+197%
Quebec	3,342.0	11,249.6	+237%
Ontario	4,265.9	12,412.2	+191%
Manitoba	515.9	1,486.0	+188%
Saskatchewan	499.0	1,506.2	+202%
Alberta	1,030.7	3,536.9	+243%
British Columbia	1,179.2	4,003.2	+240%
10-Province Total	12,045.4	37,775.6	+214%

Source: Statistics Canada publications 68-205 and 68-207.
The Statistics Canada series are used for comparability. The figures include general purposes capital, etc.

APPENDIX C

Taxation and Tax Credit Information

APPENDIX C

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Comparison of Provincial Income Tax Payable 1976 vs 1977

TABLE I

Comparison of Provincial Income Tax Payable 1976 vs 1977*
(Married — Two Dependants Under 16)

Income Level	1976					1977 Before Transfer					Change 1977 From 1976	Established Programs Financing Transfer
	Provincial Income Taxes Before Credits[1]	Property Tax Credit[2]	Cost of Living Tax Credit[3]	Total Tax Credits	Total Provincial Income Taxes	Provincial Income Taxes Before Credits[1]	Property Tax Credit[2]	Cost of Living Tax Credit[4]	Total Tax Credits	Total Provincial Income Taxes		
$	$	$	$	$	$	$	$	$	$	$	$	$
4,000	0	350	141	491	(491)	0	375	154	529	(529)	(38)	0
5,000	1	350	141	491	(490)	0	375	154	529	(529)	(39)	0
7,500	167	325	116	441	(274)	0	355	133	488	(488)	(215)	0**
10,000	384	300	91	391	(7)	321	330	108	438	(117)	(110)	73
12,000	567	280	71	351	216	496	310	88	398	98	(118)	112
15,000	867	250	41	291	576	782	280	58	338	444	(132)	172
20,000	1,438	200	0	200	1,238	1,322	230	8	238	1,084	(154)	291
25,000	2,127	200	0	200	1,927	1,950	225	0	225	1,725	(202)	429
50,000	6,870	200	0	200	6,670	6,745	225	0	225	6,519	(151)	1,267

Figures in parentheses denote tax savings or increased refunds. Totals may not add due to rounding.

*Assumes all income is from wages and salaries.

**The transfer at this income level is foregone as a result of the low income reduction.

[1]Includes provincial tax reductions and surtax where applicable.

[2]Assumes sufficient property taxes or rental equivalents to qualify for these benefit levels.

[3]Based on the 1976 basic exemption of $2,090, the married exemption of $1,830, and the dependant under 16 exemption of $390.

[4]Based on the 1977 basic exemption of $2,270, the married exemption of $1,990, and the dependant under 16 exemption of $430.

TABLE II

Comparison of Provincial Income Tax Payable 1976 vs 1977*
(Married — No Dependants)

Income Level	1976					1977 Before Transfer					Change 1977 From 1976	Established Programs Financing Transfer
	Provincial Income Taxes Before Credits[1]	Property Tax Credit[2]	Cost of Living Tax Credit[3]	Total Tax Credits	Total Provincial Income Taxes	Provincial Income Taxes Before Credits[1]	Property Tax Credit[2]	Cost of Living Tax Credit[4]	Total Tax Credits	Total Provincial Income Taxes		
$	$	$	$	$	$	$	$	$	$	$	$	$
3,000	0	350	118	468	(468)	0	375	128	503	(503)	(35)	0
4,000	0	350	118	468	(468)	0	375	128	503	(503)	(35)	0
5,000	30	342	109	451	(421)	0	370	123	493	(493)	(72)	0**
7,500	233	317	84	401	(168)	186	346	99	445	(258)	(88)	41
10,000	454	292	59	351	103	398	321	74	395	3	(100)	87
12,000	643	272	39	311	332	575	301	54	355	220	(112)	127
15,000	951	242	9	251	700	869	271	24	295	574	(126)	191
20,000	1,541	200	0	200	1,341	1,424	225	0	225	1,199	(142)	310
25,000	2,268	200	0	200	2,068	2,087	225	0	225	1,860	(208)	453
50,000	7,024	200	0	200	6,824	6,926	225	0	225	6,701	(123)	1,294

Figures in parentheses denote tax savings or increased refunds. Totals may not add due to rounding.

*Assumes all income is from wages and salaries.

**The transfer at this income level is foregone as a result of the low income reduction.

[1]Includes provincial tax reductions and surtax where applicable.

[2]Assumes sufficient property taxes or rental equivalents to qualify for these benefit levels.

[3]Based on the 1976 basic exemption of $2,090 and the married exemption of $1,830.

[4]Based on the 1977 basic exemption of $2,270 and the married exemption of $1,990.

TABLE III

Comparison of Provincial Income Tax Payable 1976 vs 1977*
(Single Taxfiler)

Income Level	1976					1977 Before Transfer					Change 1977 From 1976	Established Programs Financing Transfer
	Provincial Income Taxes Before Credits[1]	Property Tax Credit[2]	Cost of Living Tax Credit[3]	Total Tax Credits	Total Provincial Income Taxes	Provincial Income Taxes Before Credits[1]	Property Tax Credit[2]	Cost of Living Tax Credit[4]	Total Tax Credits	Total Provincial Income Taxes		
$	$	$	$	$	$	$	$	$	$	$	$	$
2,000	0	350	63	413	(413)	0	375	68	443	(443)	(30)	0
3,000	22	343	56	399	(377)	0	370	63	432	(432)	(55)	0**
4,000	97	333	46	379	(282)	0	360	53	413	(413)	(131)	0**
5,000	176	323	36	359	(183)	154	350	43	394	(239)	(56)	34
7,500	394	298	11	309	85	356	326	19	345	(11)	(74)	78
10,000	627	273	0	273	354	574	301	0	301	273	(81)	127
12,000	826	253	0	253	573	768	281	0	281	486	(87)	169
15,000	1,153	223	0	223	930	1,080	251	0	251	829	(101)	236
20,000	1,782	200	0	200	1,582	1,676	225	0	225	1,451	(131)	365
25,000	2,594	200	0	200	2,394	2,451	225	0	225	2,226	(168)	516
50,000	7,389	200	0	200	7,189	7,337	225	0	225	7,112	(87)	1,365

Figures in parentheses denote tax savings or increased refunds. Totals may not add due to rounding.

*Assumes all income is from wages and salaries.

**The transfer at this income level is foregone as a result of the low income reduction.

[1]Includes provincial tax reductions and surtax where applicable.

[2]Assumes sufficient property taxes or rental equivalents to qualify for these benefit levels.

[3]Based on the 1976 basic exemption of $2,090.

[4]Based on the 1977 basic exemption of $2,270.

Comparison of Total Provincial and Federal Income Taxes Payable 1976 vs 1977

TABLE I

Total Provincial and Federal Income Taxes
1976 vs 1977*
(Married Taxfiler — Two Dependants under age 16)

Gross Income	WITHOUT MANITOBA TAX CREDITS			WITH MANITOBA TAX CREDITS		
	Total Income Taxes 1976	Total Income Taxes (After Transfer) 1977	Total Income Tax Savings 1977 Over 1976	Total Income Taxes/ Tax Credits 1976	Total Income Taxes/ Tax Credits (After Transfer) 1977	Total Income Tax/ Tax Credit Savings 1977 Over 1976
$	$	$	$	$	$	$
2,000	0	0	0	(491)	(529)	38
3,000	0	0	0	(491)	(529)	38
4,000	0	0	0	(491)	(529)	38
5,000	1	0	1	(490)	(529)	39
7,500	360	0	360	(80)	(488)	408
10,000	1,088	800	288	698	362	336
12,000	1,702	1,392	310	1,352	994	358
15,000	2,710	2,357	353	2,420	2,019	401
20,000	4,552	4,164	388	4,352	3,926	426
25,000	6,733	6,187	546	6,533	5,962	571
50,000	21,252	20,166	1,086	21,052	19,941	1,111
75,000	38,178	35,924	2,254	37,978	36,699	2,279
100,000	56,556	52,855	3,701	56,356	52,630	3,726

*Assumes all income is from wages and salaries.

TABLE II

Total Provincial and Federal Income Taxes
1976 vs 1977*
(Married Taxfiler — Dependent Spouse)

Gross Income	WITHOUT MANITOBA TAX CREDITS			WITH MANITOBA TAX CREDITS		
	Total Income Taxes 1976	Total Income Taxes (After Transfer) 1977	Total Income Tax Savings 1977 Over 1976	Total Income Taxes/ Tax Credits 1976	Total Income Taxes/ Tax Credits (After Transfer) 1977	Total Income Tax/ Tax Credit Savings 1977 Over 1976
$	$	$	$	$	$	$
4,000	0	0	0	(468)	(503)	35
5,000	30	0	30	(421)	(493)	72
7,500	581	441	140	180	(11)	191
10,000	1,322	1,155	167	971	760	211
12,000	1,957	1,756	201	1,646	1,401	245
15,000	2,988	2,753	235	2,737	2,458	279
20,000	4,878	4,551	327	4,678	4,326	352
25,000	7,124	6,643	481	6,924	6,418	506
50,000	21,742	20,683	1,059	21,542	20,458	1,084
75,000	38,718	36,485	2,233	38,518	36,260	2,258
100,000	57,147	53,473	3,674	56,947	53,248	3,699

*Assumes all income is from wages and salaries.
Parentheses ( ) indicate tax savings or increased refunds.

TABLE III

Total Provincial and Federal Income Taxes
1976 vs 1977*
(Single Taxfiler)

Gross Income	WITHOUT MANITOBA TAX CREDITS			WITH MANITOBA TAX CREDITS		
	Total Income Taxes 1976	Total Income Taxes (After Transfer) 1977	Total Income Tax Savings 1977 Over 1976	Total Income Taxes/ Tax Credits 1976	Total Income Taxes/ Tax Credits (After Transfer) 1977	Total Income Tax/ Tax Credit Savings 1977 Over 1976
$	$	$	$	$	$	$
2,000	0	0	0	(413)	(443)	30
3,000	22	0	22	(376)	(432)	56
4,000	95	0	95	(284)	(413)	129
5,000	390	325	65	31	(68)	99
7,500	1,121	1,003	118	812	658	154
10,000	1,901	1,753	148	1,628	1,452	176
12,000	2,571	2,408	163	2,318	2,127	191
15,000	3,647	3,456	191	3,424	3,207	217
20,000	5,641	5,359	282	5,441	5,134	307
25,000	8,040	7,651	389	7,840	7,426	414
50,000	22,891	21,881	1,010	22,691	21,656	1,035
75,000	39,925	37,783	2,142	39,725	37,558	2,167
100,000	58,531	54,904	3,627	58,331	54,679	3,652

*Assumes all income is from wages and salaries.

Comparison of Annual Personal Income Taxes/Credits and Health Insurance Premium Taxes (Selected Provinces) Before and After the Established Programs Financing Transfer

SUMMARY COMPARISON OF ANNUAL PERSONAL INCOME TAXES AFTER HEALTH INSURANCE PREMIUMS AND TAX CREDITS BEFORE AND AFTER THE ESTABLISHED PROGRAMS FINANCING TRANSFER

TABLE A

Summary Comparison of Annual Personal Income Taxes After Health Insurance Premiums and Tax Credits Before and After the Established Programs Financing Transfer

MARRIED TAXFILER — TWO DEPENDANTS

	BEFORE TRANSFER									AFTER TRANSFER								
	MANITOBA	ONTARIO		SASKATCHEWAN		ALBERTA		BRITISH COLUMBIA		MANITOBA	ONTARIO		SASKATCHEWAN		ALBERTA		BRITISH COLUMBIA	
Gross Income	Total Taxes	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba
$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
3,000	(529)	(79)	450	0	529	(200)	329	(78)	451	(529)	(79)	450	0	529	(200)	329	(78)	451
4,000	(529)	(79)	450	0	529	(200)	329	(78)	451	(529)	(79)	450	0	529	(200)	329	(78)	451
5,000	(529)	(79)	450	0	529	(112)	417	(78)	451	(529)	(79)	450	0	529	(112)	417	(78)	451
6,000	(517)	(79)	438	0	517	(26)	491	(78)	439	(517)	(79)	438	0	517	(26)	491	(78)	439
7,000	(497)	113	610	0	497	(21)	476	141	638	(497)	113	610	0	497	(21)	476	141	638
8,000	(352)	279	631	46	398	32	384	272	624	(315)	316	631	83	398	69	384	310	624
9,000	(221)	358	579	130	351	131	352	345	566	(166)	413	579	185	351	186	352	400	566
10,000	(116)	441	557	219	335	197	313	421	537	(43)	514	557	292	335	270	313	495	538
11,000	(10)	524	534	310	320	256	266	499	509	83	617	534	403	320	349	266	592	509
12,000	98	609	511	403	305	315	217	577	479	210	721	511	515	305	427	217	689	479
15,000	444	881	437	704	260	503	59	832	388	616	1,053	437	876	260	675	59	1,004	388
20,000	1,084	1,361	277	1,274	190	862	(222)	1,259	175	1,375	1,652	277	1,565	190	1,153	(222)	1,550	175
25,000	1,725	1,824	99	1,985	260	1,275	(450)	1,750	25	2,154	2,253	99	2,414	260	1,704	(450)	2,179	25
50,000	6,520	4,685	(1,835)	6,556	36	3,724	(2,796)	4,779	(1,741)	7,787	5,952	(1,835)	7,823	36	4,991	(2,796)	6,046	(1,741)

See following tables for details.
Totals may not add due to rounding.

TABLE B

Summary Comparison of Annual Personal Income Taxes After Health Insurance Premiums and Tax Credits Before and After the Established Programs Financing Transfer

MARRIED TAXFILER — NO DEPENDANTS

	BEFORE TRANSFER									AFTER TRANSFER								
	MANITOBA	ONTARIO		SASKATCHEWAN		ALBERTA		BRITISH COLUMBIA		MANITOBA	ONTARIO		SASKATCHEWAN		ALBERTA		BRITISH COLUMBIA	
Gross Income	Total Taxes	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba
$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
3,000	(503)	(71)	432	0	503	(200)	303	(82)	421	(503)	(71)	432	0	503	(200)	303	(82)	421
4,000	(503)	(71)	432	0	503	(200)	303	(82)	421	(503)	(71)	432	0	503	(200)	303	(82)	421
5,000	(493)	(71)	422	0	493	(108)	385	(5)	488	(493)	(71)	422	0	493	(108)	385	(5)	488
6,000	(474)	(71)	403	0	474	36	510	95	569	(474)	(71)	403	0	474	(22)	452	95	569
7,000	(303)	281	584	159	462	40	343	222	525	(271)	314	585	192	463	63	334	255	526
8,000	(208)	357	565	240	448	109	317	292	500	(157)	409	566	291	448	161	318	343	500
9,000	(104)	438	542	328	432	185	289	367	471	(36)	508	544	397	433	254	290	436	472
10,000	3	523	520	420	417	244	241	445	442	91	611	520	508	417	332	241	533	442
11,000	111	608	497	512	401	303	192	524	413	218	715	497	619	401	410	192	631	413
12,000	220	694	474	607	387	364	144	604	384	347	821	474	734	387	491	144	731	384
15,000	574	971	397	916	342	561	(13)	908	334	765	1,162	397	1,107	342	752	(13)	1,099	334
20,000	1,199	1,436	237	1,501	302	930	(269)	1,294	95	1,508	1,746	238	1,811	303	1,240	(268)	1,604	96
25,000	1,861	1,915	54	2,129	268	1,356	(505)	1,738	(123)	2,314	2,368	54	2,582	268	1,809	(505)	2,191	(123)
50,000	6,701	4,794	(1,907)	6,728	27	3,816	(2,885)	4,849	(1,852)	7,995	6,088	(1,907)	8,022	27	5,110	(2,885)	6,143	(1,852)

See following tables for details.
Totals may not add due to rounding.

TABLE C

Summary Comparison of Annual Personal Income Taxes After Health Insurance Premiums and Tax Credits Before and After the Established Programs Financing Transfer

SINGLE TAXFILER

	BEFORE TRANSFER									AFTER TRANSFER								
	MANITOBA	ONTARIO		SASKATCHEWAN		ALBERTA		BRITISH COLUMBIA		MANITOBA	ONTARIO		SASKATCHEWAN		ALBERTA		BRITISH COLUMBIA	
Gross Income	Total Taxes	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba	Total Taxes	Advantage in Manitoba
$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
3,000	(432)	(147)	285	0	432	(196)	236	(50)	382	(432)	(147)	285	0	432	(196)	236	(50)	382
4,000	(413)	(147)	266	0	413	(107)	306	(5)	408	(413)	(147)	266	0	413	(107)	306	(5)	408
5,000	(239)	113	352	163	402	(81)	158	136	375	(205)	147	352	197	402	(37)	158	170	375
6,000	(141)	190	331	246	387	30	171	207	348	(90)	241	331	297	387	81	171	257	347
7,000	(41)	270	310	331	372	102	143	280	321	28	339	310	400	372	171	143	349	321
8,000	63	351	288	420	357	159	96	355	292	151	439	288	508	357	247	96	443	292
9,000	169	435	266	511	342	220	51	433	264	276	542	266	618	342	327	51	540	264
10,000	273	521	247	605	332	278	5	513	240	400	647	247	732	332	405	5	640	240
11,000	380	612	232	707	327	343	(37)	598	218	528	760	232	855	327	491	(37)	746	218
12,000	486	704	218	809	323	408	(78)	684	198	655	873	218	978	323	577	(78)	853	198
15,000	829	990	161	1,139	310	617	(212)	935	106	1,065	1,226	161	1,375	310	853	(212)	1,171	106
20,000	1,452	1,408	(44)	1,780	328	1,012	(440)	1,402	(50)	1,817	1,773	(44)	2,145	328	1,377	(440)	1,767	50
25,000	2,226	1,940	(286)	2,596	370	1,458	(768)	1,941	(285)	2,742	2,456	(286)	3,112	370	1,974	(768)	2,457	285
50,000	7,112	4,846	(2,266)	7,838	726	3,937	(3,175)	5,018	(2,094)	8,477	6,211	(2,266)	9,203	726	5,302	(3,175)	6,383	2,094

See following tables for details.
Totals may not add due to rounding.

DETAILED COMPARISON OF ANNUAL PERSONAL INCOME TAXES AND HEALTH INSURANCE PREMIUMS AND TAX CREDITS BEFORE AND AFTER THE ESTABLISHED PROGRAMS FINANCING TRANSFER

TABLE I

Comparison of Annual Personal Income Taxes and Health Insurance Premium Taxes — Manitoba, Ontario, Saskatchewan, Alberta, British Columbia — (Comparison Based on Tax Rates in Effect after 1977 Budgets)

— Before Established Programs Financing Transfer — (Dollars)

MARRIED TAXFILER — TWO DEPENDANTS

	MANITOBA				ONTARIO				SASKATCHEWAN				ALBERTA				BRITISH COLUMBIA				
Gross Income	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Established Program Financing
3,000	0	—	529	(529)	0	192	271	(79)	0	—	—	0	0	0	200	(200)	0	22	100	(78)	0
4,000	0	—	529	(529)	0	192	271	(79)	0	—	—	0	0	0	200	(200)	0	22	100	(78)	0
5,000	0	—	529	(529)	0	192	271	(79)	0	—	—	0	0	88	200	(112)	0	22	100	(78)	0
6,000	0	—	517	(517)	0	192	271	(79)	0	—	—	0	0	169	195	(26)	0	22	100	(78)	4
7,000	0	—	497	(497)	0	384	271	113	0	—	—	0	0	169	190	(21)	0	225	84	141	20
8,000	126	—	478	(352)	115	384	220	279	46	—	—	46	48	169	185	32	122	225	75	272	37
9,000	237	—	458	(221)	174	384	201	358	130	—	—	130	131	169	180	120	185	225	65	345	55
10,000	322	—	438	(116)	237	384	181	441	219	—	—	219	198	169	170	197	251	225	55	421	73
11,000	408	—	418	(10)	301	384	161	524	310	—	—	310	252	169	165	256	319	225	45	499	93
12,000	496	—	398	98	365	384	141	609	403	—	—	403	306	169	160	315	387	225	35	577	112
15,000	782	—	338	444	577	384	81	881	704	—	—	704	485	169	150	503	612	225	5	832	172
20,000	1,322	—	238	1,084	977	384	0	1,361	1,274	—	—	1,274	818	169	125	862	1,034	225	0	1,259	291
25,000	1,950	—	225	1,725	1,440	384	0	1,824	1,985	—	—	1,985	1,206	169	100	1,275	1,525	225	0	1,750	429
50,000	6,745	—	225	6,520	4,301	384	0	4,685	6,556	—	—	6,556	3,605	169	50	3,724	4,554	225	0	4,779	1,267

This table shows that "personal taxes" (income taxes, plus medical care premiums, less tax credits) are lower in Manitoba for a married taxfiler with 2 dependants than in Saskatchewan for incomes up to over $50,000, than in Ontario for incomes up to over $25,000, than in British Columbia for incomes up to about $25,000, and than in Alberta for incomes up to over $15,000 before the Established Programs Financing Transfer is taken into account.

Totals may not add due to rounding.

[1] In calculating the tax credits $400 of property taxes or rental equivalents are assumed. For Alberta and British Columbia, the taxfiler is assumed to be a tenant and therefore eligible for the renters assistance tax credits provided through the income tax system in these provinces. No account is taken of non-income-related assistance to homeowners and local governments in any of the provinces included in the comparison.

TABLE IA

Comparison of Annual Personal Income Taxes and Health Insurance Premium Taxes — Manitoba, Ontario, Saskatchewan, Alberta, British Columbia — (Comparison Based on Tax Rates in Effect after 1977 Budgets)

— After Established Programs Financing Transfer —
(Dollars)

MARRIED TAXFILER — TWO DEPENDANTS UNDER AGE 16

	MANITOBA				ONTARIO				SASKATCHEWAN				ALBERTA				BRITISH COLUMBIA			
Gross Income	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)
3,000	0	—	529	(529)	0	192	271	(79)	0	—	—	0	0	0	200	(200)	0	22	100	(78)
4,000	0	—	529	(529)	0	192	271	(79)	0	—	—	0	0	0	200	(200)	0	22	100	(78)
5,000	0	—	529	(529)	0	192	271	(79)	0	—	—	0	0	88	200	(112)	0	22	100	(78)
6,000	0	—	517	(517)	0	192	271	(79)	0	—	—	0	0	169	195	(26)	0	22	100	(78)
7,000	0	—	497	(497)	0	384	271	113	0	—	—	0	0	169	190	(21)	0	225	84	141
8,000	163	—	478	(315)	152	384	220	316	83	—	—	83	85	169	185	69	159	225	75	310
9,000	292	—	458	(166)	229	384	201	413	185	—	—	185	100	169	180	89	240	225	65	400
10,000	395	—	438	(43)	310	384	181	514	292	—	—	292	271	169	170	270	324	225	55	495
11,000	501	—	418	83	394	384	161	617	403	—	—	403	345	169	165	349	412	225	45	592
12,000	608	—	398	210	477	384	141	721	515	—	—	515	418	169	160	427	499	225	35	689
15,000	954	—	338	616	749	384	81	1,053	876	—	—	876	656	169	150	675	784	225	5	1,004
20,000	1,613	—	238	1,375	1,268	384	0	1,652	1,565	—	—	1,565	1,109	169	125	1,153	1,325	225	0	1,550
25,000	2,379	—	225	2,154	1,869	384	0	2,253	2,414	—	—	2,414	1,635	169	100	1,704	1,954	225	0	2,179
50,000	8,012	—	225	7,787	5,568	384	0	5,952	7,823	—	—	7,823	4,872	169	50	4,991	5,821	225	0	6,046

This table shows that "personal taxes" (income taxes, plus medical care premiums, less tax credits) are lower in Manitoba for a married taxfiler with 2 dependants than in Saskatchewan for incomes up to over $50,000, than in Ontario for incomes up to over $25,000, than in British Columbia for incomes up to about $25,000, and than in Alberta for incomes up to over $15,000 after the Established Programs Financing Transfer is taken into account.

Totals may not add due to rounding.

[1]In calculating the tax credits $400 of property taxes or rental equivalents are assumed. For Alberta and British Columbia, the taxfiler is assumed to be a tenant and therefore eligible for the renters assistance tax credits provided through the income tax system in these provinces. No account is taken of non-income-related assistance to homeowners and local governments in any of the provinces included in the comparison.

TABLE II

Comparison of Annual Personal Income Taxes and Health Insurance Premium Taxes — Manitoba, Ontario, Saskatchewan, Alberta, British Columbia — (Comparison Based on Tax Rates in Effect after 1977 Budgets)

— Before Established Programs Financing Transfer — (Dollars)

MARRIED TAXFILER — NO DEPENDANTS

	MANITOBA				ONTARIO				SASKATCHEWAN				ALBERTA				BRITISH COLUMBIA				
Gross Income	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Established Programs Financing
3,000	0	—	503	(503)	0	192	263	(71)	0	—	—	0	0	0	200	(200)	0	18	100	(82)	0
4,000	0	—	503	(503)	0	192	263	(71)	0	—	—	0	0	0	200	(200)	0	18	100	(82)	0
5,000	0	—	493	(493)	0	192	263	(71)	0	—	—	0	0	88	196	(108)	0	90	95	(5)	3
6,000	0	—	474	(474)	0	192	263	(71)	0	—	—	0	58	169	191	36	0	180	85	95	16
7,000	151	—	454	(303)	111	384	214	281	159	—	—	159	93	169	186	40	118	180	76	222	33
8,000	227	—	435	(208)	168	384	195	357	240	—	—	240	141	169	181	109	178	180	66	292	51
9,000	311	—	415	(104)	229	384	175	438	328	—	—	328	192	169	176	185	243	180	56	367	69
10,000	398	—	395	3	294	384	155	523	420	—	—	420	246	169	171	244	311	180	46	445	88
11,000	486	—	375	111	359	384	135	608	512	—	—	512	300	169	166	303	380	180	36	524	107
12,000	575	—	355	220	425	384	115	694	607	—	—	607	356	169	161	364	704	180	26	604	127
15,000	869	—	295	574	642	384	55	971	916	—	—	916	538	169	146	561	728	180	0	908	191
20,000	1,424	—	225	1,199	1,052	384	0	1,436	1,501	—	—	1,501	882	169	121	930	1,114	180	0	1,294	310
25,000	2,086	—	225	1,861	1,531	384	0	1,915	2,129	—	—	2,129	1,283	169	96	1,356	1,558	180	0	1,738	453
50,000	6,926	—	225	6,701	4,410	384	0	4,794	6,728	—	—	6,728	3,697	169	50	3,816	4,669	180	0	4,849	1,294

This table shows that "personal taxes" (income taxes, plus medical care premiums, less tax credits) are lower in Manitoba for a married taxfiler than in Saskatchewan for incomes up to over $50,000, than in Ontario for incomes up to over $25,000, than in British Columbia for incomes up to over $20,000, and than in Alberta for incomes up to about $15,000 before the Established Programs Financing Transfer is taken into account.

Totals may not add due to rounding.

[1] In calculating the tax credits $400 of property taxes or rental equivalents are assumed. For Alberta and British Columbia, the taxfiler is assumed to be a tenant and therefore eligible for the renters assistance tax credits provided through the income tax system in these provinces. No account is taken of non-income-related assistance to homeowners and local governments in any of the provinces included in the comparison.

TABLE IIA

Comparison of Annual Personal Income Taxes and Health Insurance Premium Taxes — Manitoba, Ontario, Saskatchewan, Alberta, British Columbia — (Comparison Based on Tax Rates in effect after 1977 Budgets)

— Before Established Programs Financing Transfer — (Dollars)

MARRIED TAXFILER — NO DEPENDANTS

	MANITOBA				ONTARIO				SASKATCHEWAN				ALBERTA				BRITISH COLUMBIA			
Gross Income	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)
3,000	0	—	503	(503)	0	192	263	(71)	0	—	—	0	0	0	200	(200)	0	18	100	(82)
4,000	0	—	503	(503)	0	192	263	(71)	0	—	—	0	0	0	200	(200)	0	18	100	(82)
5,000	0	—	493	(493)	0	192	263	(71)	0	—	—	0	0	88	196	(108)	0	90	95	(5)
6,000	0	—	474	(474)	0	192	263	(71)	0	—	—	0	0	169	191	(22)	0	180	85	95
7,000	184	—	454	(271)	144	384	214	314	192	—	—	192	80	169	186	63	151	180	76	255
8,000	278	—	435	(157)	219	384	195	409	291	—	—	291	173	169	181	161	229	180	66	343
9,000	380	—	415	(36)	298	384	175	508	397	—	—	397	261	169	176	254	312	180	56	436
10,000	486	—	395	91	382	384	155	611	508	—	—	508	334	169	171	332	399	180	46	533
11,000	593	—	375	218	466	384	135	715	619	—	—	619	407	169	166	410	487	180	36	631
12,000	702	—	355	347	552	384	115	821	734	—	—	734	483	169	161	491	577	180	26	731
15,000	1,060	—	295	765	833	384	55	1,162	1,107	—	—	1,107	729	169	146	752	919	180	0	1,099
20,000	1,734	—	225	1,508	1,362	384	0	1,746	1,811	—	—	1,811	1,192	169	121	1,240	1,424	180	0	1,604
25,000	2,539	—	225	2,314	1,984	384	0	2,368	2,582	—	—	2,582	1,736	169	96	1,809	2,011	180	0	2,191
50,000	8,220	—	225	7,995	5,704	384	0	6,088	8,022	—	—	8,022	4,991	169	50	5,110	5,963	180	0	6,143

This table shows that "personal taxes" (income taxes, plus medical care premiums, less tax credits) are lower in Manitoba for a married taxfiler than in Saskatchewan for incomes up to over $50,000, than in Ontario for incomes up to over $25,000, than in British Columbia for incomes up to over $20,000, and than in Alberta for incomes up to about $15,000 after the Established Programs Financing Transfer is taken into account.

Totals may not add due to rounding.

[1] In calculating the tax credits $400 of property taxes or rental equivalents are assumed. For Alberta and British Columbia, the taxfiler is assumed to be a tenant and therefore eligible for the renters assistance tax credits provided through the income tax system in these provinces. No account is taken of non-income-related assistance to homeowners and local governments in any of the provinces included in the comparison.

TABLE III

Comparison of Annual Personal Income Taxes and Health Insurance Premium Taxes — Manitoba, Ontario, Saskatchewan, Alberta, British Columbia — (Comparison Based on Tax Rates in Effect after 1977 Budgets)

— Before Established Programs Financing Transfer —

(Dollars)

SINGLE TAXFILER

Gross Income	MANITOBA				ONTARIO				SASKATCHEWAN				ALBERTA				BRITISH COLUMBIA				Established Programs Financing
	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	Income Taxes (Before Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Before Transfers)	
3,000	0	—	432	(432)	0	96	243	(147)	0	—	—	0	0	0	196	(196)	0	45	95	(50)	3
4,000	0	—	413	(413)	0	96	243	(147)	0	—	—	0	0	85	192	(107)	0	90	85	(5)	10
5,000	154	—	394	(239)	114	192	193	113	163	—	—	163	21	85	187	(81)	121	90	75	136	34
6,000	233	—	374	(141)	172	192	174	190	246	—	—	246	127	85	182	30	182	90	66	206	51
7,000	314	—	355	(41)	232	192	154	270	331	—	—	331	194	85	177	102	246	90	56	280	69
8,000	398	—	335	63	294	192	135	351	420	—	—	420	246	85	172	159	311	90	46	355	88
9,000	485	—	316	169	358	192	115	435	551	—	—	511	300	85	167	220	379	90	36	433	107
10,000	574	—	301	273	424	192	95	521	605	—	—	605	360	85	162	278	449	90	26	513	127
11,000	671	—	291	380	495	192	75	612	707	—	—	707	415	85	157	343	524	90	16	598	148
12,000	767	—	281	486	567	192	55	704	809	—	—	809	475	85	152	408	600	90	6	684	169
15,000	1,080	—	251	829	798	192	0	990	1,139	—	—	1,139	669	85	137	617	845	90	0	935	236
20,000	1,672	—	225	1,452	1,216	192	0	1,408	1,780	—	—	1,780	1,039	85	112	1,012	1,312	90	0	1,402	365
25,000	2,451	—	225	2,226	1,748	192	0	1,940	2,596	—	—	2,596	1,465	85	92	1,458	1,851	90	0	1,941	516
50,000	7,337	—	225	7,112	4,654	192	0	4,846	7,838	—	—	7,838	3,902	85	50	3,937	4,928	90	0	5,018	1,365

This table shows that "personal taxes" (income taxes, plus medical care premiums, less tax credits) are lower in Manitoba for a single taxfiler than in Saskatchewan for incomes up to over $50,000, than in Ontario for incomes up to over $20,000, than in British Columbia for incomes up to about $20,000 and than in Alberta for incomes up to over $10,000 before the Established Programs Financing Transfer is taken into account.

Totals may not add due to rounding.

[1] In calculating the tax credits $400 of property taxes or rental equivalents are assumed. For Alberta and British Columbia, the taxfiler is assumed to be a tenant and therefore eligible for the renters assistance tax credits provided through the income tax system in these provinces. No account is taken of non-income-related assistance to homeowners and local governments in any of the provinces included in the comparison.

TABLE IIIA

Comparison of Annual Personal Income Taxes and Health Insurance Premium Taxes — Manitoba, Ontario, Saskatchewan, Alberta, British Columbia — (Comparison Based on Tax Rates in Effect after 1977 Budgets)

—After Established Programs Financing Transfer —

(Dollars)

SINGLE TAXFILER

Gross Income	MANITOBA				ONTARIO				SASKATCHEWAN				ALBERTA				BRITISH COLUMBIA			
	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)	Income Taxes (Including Transfers)	Health Premiums	Tax Credits[1]	Total Taxes (Including Transfers)
3,000	0	—	432	(432)	0	96	243	(147)	0	—	—	0	0	0	196	(196)	0	45	95	(50)
4,000	0	—	413	(413)	0	96	243	(147)	0	—	—	0	0	85	192	(107)	0	90	85	(5)
5,000	188	—	394	(205)	148	192	193	147	197	—	—	197	64	85	187	(37)	155	90	75	170
6,000	284	—	374	(90)	223	192	174	241	297	—	—	297	178	85	182	81	233	90	66	257
7,000	383	—	355	28	301	192	154	339	400	—	—	400	263	85	177	171	315	90	56	349
8,000	486	—	335	151	382	192	135	439	508	—	—	508	334	85	172	247	399	90	46	443
9,000	592	—	316	276	465	192	115	542	618	—	—	618	409	85	167	327	486	90	36	540
10,000	701	—	301	400	551	192	95	647	732	—	—	732	482	85	162	405	576	90	26	640
11,000	819	—	291	528	643	192	75	760	855	—	—	855	563	85	157	491	672	90	16	746
12,000	936	—	281	655	736	192	55	873	978	—	—	978	644	85	152	577	769	90	6	853
15,000	1,316	—	251	1,065	1,034	192	0	1,226	1,375	—	—	1,375	905	85	137	853	1,081	90	0	1,171
20,000	2,042	—	225	1,817	1,581	192	0	1,773	2,145	—	—	2,145	1,404	85	112	1,377	1,677	90	0	1,767
25,000	2,967	—	225	2,742	2,264	192	0	2,456	3,112	—	—	3,112	1,981	85	92	1,974	2,367	90	0	2,457
50,000	8,702	—	225	8,477	6,019	192	0	6,211	9,203	—	—	9,203	5,267	85	50	5,302	6,293	90	0	6,383

This table shows that "personal taxes" (income taxes, plus medical care premiums, less tax credits) are lower in Manitoba for a single taxfiler than in Saskatchewan for incomes up to over $50,000, than in Ontario for incomes up to over $20,000, than in British Columbia for incomes up to about $20,000 and than in Alberta for incomes up to over $10,000 after the Established Programs Financing Transfer is taken into account.

Totals may not add due to rounding.

[1] In calculating the tax credits $400 of property taxes or rental equivalents are assumed. For Alberta and British Columbia, the taxfiler is assumed to be a tenant and therefore eligible for the renters assistance tax credits provided through the income tax system in these provinces. No account is taken of non-income-related assistance to homeowners and local governments in any of the provinces included in the comparison.

Comparison of Selected Provincial Tax Rates after 1977 Provincial Budgets

Comparison of Selected Provincial Tax Rates after 1977 Provincial Budgets

Tax	Newfound-land	Prince Edward Island	Nova Scotia	New Brunswick	Quebec	Ontario [1]	Manitoba	Saskatch-ewan	Alberta	British Columbia
Retail Sales (%)	10	8	8	8	8	7	5	5	Nil	7
Personal Income (% of basic federal tax)	58	50	52.5	55.5[2]	72.0[3]	44.0	56.0[4,5]	58.5[5]	38.5	46.0
Health Insurance (annual premium)	Nil	Nil	Nil	Nil	Payroll Tax: 1.5% of income ($235 maximum)	$192 Single $384 Family	Nil	Nil	$85 Single $169 Family	$90 Single $225 Family
Corporation Income (% of taxable income)	14	10	12	9-12	12	9-12	13-15	12-14	11	12-15
Corporation Capital Tax (% of taxable capital)	Nil	Nil	Nil	Nil	1/5	3/10	1/5[6]	Nil	Nil	1/5[6]
Gasoline (cents per gallon)	27	21	21	20	19	19	18	19	10	17
Diesel (cents per gallon)	27	25	27	23	25	25	21	26.6	12	19
Cigarettes (cents per Package of 25)	26	20	15	10	20	24	20	20	8	12

[1] Some of the changes announced in Ontario's 1977 Budget Address may be delayed as a result of the June, 1977 election in that province.

[2] A general 1.5% tax reduction is in effect for 1977, but this does not reduce the basic rate.

[3] Quebec levies tax directly against taxable income unlike the other provinces. For comparability purposes, the rate shown reflects total Quebec income tax as a percentage of federal basic tax. The rate includes approximately 16.5 points in special abatements.

[4] This rate includes some 2.2 points which have been allocated to municipalities. The "net" rate for provincial purposes is 53.8%.

[5] These provinces apply surtaxes to high income earners — over $22,000 for a married taxfiler with two children in Saskatchewan and over $25,500 for the same taxfiler in Manitoba.

[6] Small businesses — those with taxable capital of under $100,000 — are exempt.

Comparison of Yearly Provincial Tax Liabilities Former Government in 1969 Present Government in 1977

TABLE I

Comparison of Yearly Provincial Tax Liabilities — Former Government in 1969 and Present Government in 1977

(Dollars)

Family of 4 (Married Taxfiler, Spouse, 2 Children under 16)*

Yearly Gross Income	Taxes Under Former Government (1969)			Taxes Under Present Government (1977 — After 1977 Budget)					Tax Savings Over 1969	Established Programs Financing Transfer
	Personal Income Tax	Health Insurance Premiums	Total Taxes	Personal Income Tax[2]	Health Insurance Premiums	Property Tax Credit[1]	Cost of Living Tax Credit	Total Taxes		
2,000	0	204	204	0	0	375	154	(529)	733	0
4,000	50	204	254	0	0	375	154	(529)	783	0
6,000	158	204	362	0	0	369	148	(517)	879	0[3]
8,000	296	204	500	126	0	350	128	(352)	852	37
10,000	459	204	663	321	0	330	108	(117)	780	73
12,000	647	204	851	496	0	310	88	98	753	112
15,000	987	204	1,191	782	0	280	58	444	747	172
20,000	1,685	204	1,889	1,322	0	230	8	1,084	805	291
50,000	6,628	204	6,832	6,745	0	225	0	6,519	313	1,267

*All income is from wages and salaries.

Parentheses ( ) indicate tax savings or increased refunds.

[1]Property Tax Credits shown assume sufficient property taxes or rental equivalents to qualify for these benefit levels.

[2]Includes Provincial Surtax.

[3]The transfer at these income levels is foregone as a result of the low income reduction.

Note: Totals may not add due to rounding.

TABLE II

Comparison of Yearly Provincial Tax Liabilities — Former Government in 1969 and Present Government in 1977

(Dollars)

Married Couple (Married Taxfiler, Dependent Spouse)*

Yearly Gross Income	Taxes Under Former Government (1969)			Taxes Under Present Government (1977 — After 1977 Budget)					Tax Savings Over 1969	Established Programs Financing Transfer
	Personal Income Tax	Health Insurance Premiums	Total Taxes	Personal Income Tax[2]	Health Insurance Premiums	Property Tax Credit[1]	Cost of Living Tax Credit	Total Taxes		
2,000	0	204	204	0	0	375	128	(503)	707	0
4,000	78	204	282	0	0	375	128	(503)	785	0
6,000	195	204	399	0	0	360	113	(484)	873	0[3]
8,000	340	204	544	227	0	341	94	(207)	751	51
10,000	510	204	714	398	0	321	74	3	711	87
12,000	706	204	910	575	0	301	54	220	690	127
15,000	1,066	204	1,270	869	0	271	24	574	696	191
20,000	1,774	204	1,978	1,424	0	225	0	1,199	779	310
50,000	6,737	204	6,941	6,926	0	225	0	6,701	240	1,294

*All income is from wages and salaries.

Parentheses ( ) indicate tax savings or increased refunds.

[1]Property Tax Credits shown assume sufficient property taxes or rental equivalents to qualify for these benefit levels.

[2]Includes Provincial Surtax.

[3]The transfer at this income level is foregone as a result of the low income reductions.

Note: Totals may not add due to rounding.

TABLE III

Comparison of Yearly Provincial Tax Liabilities — Former Government in 1969 and Present Government in 1977

(Dollars)

Single Person (Single Taxfiler, No Dependants)*

Yearly Gross Income	Taxes Under Former Government (1969)			Taxes Under Present Government (1977 — After 1977 Budget)					Tax Savings Over 1969	Established Programs Financing Transfer
	Personal Income Tax	Health Insurance Premiums	Total Taxes	Personal Income Tax[2]	Health Insurance Premiums	Property Tax Credit[1]	Cost of Living Tax Credit	Total Taxes		
2,000	33	102	135	0	0	375	68	(443)	578	0
4,000	133	102	235	0	0	360	53	(413)	648	0[3]
6,000	267	102	369	233	0	341	34	(142)	511	51
8,000	424	102	526	398	0	321	14	63	463	88
10,000	607	102	709	574	0	301	0	273	436	127
12,000	820	102	922	768	0	281	0	486	436	169
15,000	1,198	102	1,300	1,080	0	251	0	829	471	236
20,000	1,922	102	2,024	1,676	0	225	0	1,451	573	365
50,000	6,918	102	7,020	7,337	0	225	0	7,112	(92)	1,365

*All income is from wages and salaries.

Parentheses ( ) indicate negative numbers.

[1]Property Tax Credits shown assume sufficient property taxes or rental equivalents to qualify for these benefit levels.

[2]Includes Provincial Surtax.

[3]The transfer at these income levels is foregone as a result of the low income reduction.

Note: Totals may not add due to rounding.

1977 Federal and Provincial Income Tax Liabilities (Including Reduction Measures) and Cost of Living Tax Credits

As a result of the design of the national income tax system and certain federal tax changes, an apparently anomalous situation has arisen in certain low income ranges where some taxpayers have no nominal federal income tax liability but some provincial income tax liability.

Although the Manitoba Cost of Living Tax Credit eliminates provincial income taxes in almost all cases where federal income taxes have been eliminated by the general federal income tax reduction measure, for 1977 the Manitoba Budget announced a further tax reduction to deal with this situation.

Under this new provincial reduction measure, in all cases where federal tax payable is 0 provincial income taxes are also reduced to 0. This new reduction measure is phased out after federal tax becomes payable.

The new reduction does not affect the cost of living tax credit entitlement. The combination of the new low income tax reduction and the 1977 cost of living tax credit means that all Manitobans not paying federal tax not only pay no provincial tax but also are entitled to receive refunds. At some levels of income where federal tax is payable individuals will still receive refunds as a result of the Manitoba measures.

Tables I to IV show the combined impact of the new Manitoba low income tax reduction (which removes about 75,000 Manitobans from the income tax rolls) and the 1977 Cost of Living Tax Credit Plan.

In conjunction with the rate adjustments required to take full advantage of the Federal Established Programs Tax Transfer, the 1977 Manitoba Budget contained a general adjustment in the income tax rate. The converted Manitoba rate is equivalent to a 41.7% rate under the old arrangements down 0.8 points or about 2% from the 42.5% rate.

TABLE 1

Comparison of Federal and Provincial Income Taxes Payable After Reduction Measures and Cost of Living Tax Credits (Married Taxpayer with Two Dependants under 16)

(Dollars)

Taxable Income	Provincial Income Taxes Before Reduction and After Transfer	Provincial Tax Reduction	Cost of Living Tax Credit[1]	Provincial Income Taxes Payable After Provincial Reductions and Cost of Living Tax Credit[2]	Federal Tax Payable After Federal Reduction[3]
0	0	0	153.60	(153.60)	0
100	3.36	3.36	152.60	(152.60)	0
200	6.72	6.72	151.60	(151.60)	0
300	10.08	10.08	150.60	(150.60)	0
400	13.44	13.44	149.60	(149.60)	0
500	16.80	16.80	148.60	(148.60)	0
600	20.16	20.16	147.60	(147.60)	0
700	23.52	23.52	146.60	(146.60)	0
800	32.14	32.14	145.60	(145.60)	0
900	41.10	41.10	144.60	(144.60)	0
1,000	50.06	50.06	143.60	(143.60)	0
1,100	59.02	59.02	142.60	(142.60)	0
1,200	67.98	67.98	141.60	(141.60)	0
1,300	76.94	76.94	140.60	(140.60)	0
1,400	85.90	85.90	139.60	(139.60)	0
1,500	95.07	95.07	138.60	(138.60)	0
1,600	104.59	104.59	137.60	(137.60)	0
1,700	114.11	114.11	136.60	(136.60)	0
1,800	123.63	123.63	135.60	(135.60)	0
1,900	133.15	133.15	134.60	(134.60)	0
2,000	142.67	142.67	133.60	(133.60)	0
2,100	152.19	152.19	132.60	(132.60)	0
2,200	161.71	161.71	131.60	(131.60)	0
2,300	171.23	151.03	130.60	(110.40)	5.77
2,400	180.75	101.03	129.60	(49.88)	22.77
2,500	190.27	51.03	128.60	10.64	39.77
3,000[4]	238.65	0	123.60	115.05	126.16

[1] Based on the basic exemption of $2,270, the married exemption of $1,990, and the dependant under age 16 exemption of $430.

[2] The figures in parentheses show the Cost of Living Tax Credit entitlement remaining after provincial income tax has been reduced to zero ($0.00).

[3] The federal reduction is equal to 9% of the basic federal tax (minimum $200, plus $50 for each dependant under age 18 to a maximum of $500).

[4] This taxable income level is equivalent to about $8,500 gross income.

TABLE II

Comparison of Federal and Provincial Income Taxes Payable After Reduction Measures and Cost of Living Tax Credits (Married Taxpayer with No Dependants)

(Dollars)

Taxable Income	Provincial Income Taxes Before Reduction and After Transfer	Provincial Tax Reduction	Cost of Living Tax Credit[1]	Provincial Income Taxes Payable After Provincial Reductions and Cost of Living Tax Credit[2]	Federal Tax Payable After Federal Reduction[3]
0	0	0	127.80	(127.80)	0
100	3.36	3.36	126.80	(126.80)	0
200	6.72	6.72	125.80	(125.80)	0
300	10.08	10.08	124.80	(124.80)	0
400	13.44	13.44	123.80	(123.80)	0
500	16.80	16.80	122.80	(122.80)	0
600	20.16	20.16	121.80	(121.80)	0
700	23.52	23.52	120.80	(120.80)	0
800	32.14	32.14	119.80	(119.80)	0
900	41.10	41.10	118.80	(118.80)	0
1,000	50.06	50.06	117.80	(117.80)	0
1,100	59.02	59.02	116.80	(116.80)	0
1,200	67.98	67.98	115.80	(115.80)	0
1,300	76.94	76.94	114.80	(114.80)	0
1,400	85.90	85.90	113.80	(113.80)	0
1,500	95.07	95.07	112.80	(112.80)	0
1,600	104.59	104.59	111.80	(111.80)	0
1,700	114.11	100.91	110.80	(97.60)	3.77
1,800	123.63	50.91	109.80	(37.08)	20.77
1,900	133.15	0.91	108.80	23.44	37.77
2,000	142.67	0	107.80	34.87	54.77
2,100	152.19	0	106.80	45.39	71.77
2,200	161.71	0	105.80	55.91	88.77
2,300	171.23	0	104.80	66.43	105.77
2,400	180.75	0	103.80	76.95	122.77
2,500	190.27	0	102.80	87.47	139.77
3,000[4]	238.65	0	97.80	140.85	226.16

[1] Based on the basic exemption of $2,270 and the married exemption of $1,990.

[2] The figures in parentheses show the Cost of Living Tax Credit entitlement remaining after provincial income tax has been reduced to zero ($0.00).

[3] The federal reduction is equal to 9% of the basic federal tax (minimum $200, plus $50 for each dependant under age 18 to a maximum of $500).

[4] This taxable income level is equivalent to about $7,600 gross income.

TABLE III

Comparison of Federal and Provincial Income Taxes Payable After Reduction Measures and Cost of Living Tax Credits (Single Person Over Age 65)

(Dollars)

Taxable Income	Provincial Income Taxes Before Reduction and After Transfer	Provincial Tax Reduction	Cost of Living Tax Credit[1]	Provincial Income Taxes Payable After Provincial Reductions and Cost of Living Tax Credit[2]	Federal Tax Payable After Federal Reduction[3]
0	0	0	110.70	(110.70)	0
100	3.36	3.36	109.70	(109.70)	0
200	6.72	6.72	108.70	(108.70)	0
300	10.08	10.08	107.70	(107.70)	0
400	13.44	13.44	106.70	(106.70)	0
500	16.80	16.80	105.70	(105.70)	0
600	20.16	20.16	104.70	(104.70)	0
700	23.52	23.52	103.70	(103.70)	0
800	32.14	32.14	102.70	(102.70)	0
900	41.10	41.10	101.70	(101.70)	0
1,000	50.06	50.06	100.70	(100.70)	0
1,100	59.02	59.02	99.70	(99.70)	0
1,200	67.98	67.98	98.70	(98.70)	0
1,300	76.94	76.94	97.70	(97.70)	0
1,400	85.90	85.90	96.70	(96.70)	0
1,500	95.07	95.07	95.70	(95.70)	0
1,600	104.59	104.59	94.70	(94.70)	0
1,700	114.11	100.91	93.70	(80.50)	3.77
1,800	123.63	50.91	92.70	(19.98)	20.77
1,900	133.15	0.91	91.70	40.54	37.77
2,000	142.67	0	90.70	51.97	54.77
2,100	152.19	0	89.70	62.49	71.77
2,200	161.71	0	88.70	73.01	88.77
2,300	171.23	0	87.70	83.53	105.77
2,400	180.75	0	86.70	94.05	122.77
2,500	190.27	0	85.70	104.57	139.77
3,000[4]	238.65	0	80.70	157.95	226.16

[1] Based on the basic exemption of $2,270 and the age exemption of $1,420.

[2] The figures in parentheses show the Cost of Living Tax Credit entitlement remaining after provincial income tax has been reduced to zero ($0.00).

[3] The federal reduction is equal to 9% of the basic federal tax (minimum $200, plus $50 for dependant under age 18 to a maximum of $500).

[4] This taxable income level is equivalent to about $8,000 gross income.

TABLE IV

Comparison of Federal and Provincial Income Taxes Payable After Reduction Measures and Cost of Living Tax Credits (Single Person with No Dependants)

(Dollars)

Taxable Income	Provincial Income Taxes Before Reduction and After Transfer	Provincial Tax Reduction	Cost of Living Tax Credit[1]	Provincial Income Taxes Payable After Provincial Reductions and Cost of Living Tax Credit[2]	Federal Tax Payable After Federal Reduction[3]
0	0	0	68.10	(68.10)	0
100	3.36	3.36	67.10	(67.10)	0
200	6.72	6.72	66.10	(66.10)	0
300	10.08	10.08	65.10	(65.10)	0
400	13.44	13.44	64.10	(64.10)	0
500	16.80	16.80	63.10	(63.10)	0
600	20.16	20.16	62.10	(62.10)	0
700	23.52	23.52	61.10	(61.10)	0
800	32.14	32.14	60.10	(60.10)	0
900	41.10	41.10	59.10	(59.10)	0
1,000	50.06	50.06	58.10	(58.10)	0
1,100	59.02	59.02	57.10	(57.10)	0
1,200	67.98	67.98	56.10	(56.10)	0
1,300	76.94	76.94	55.10	(55.10)	0
1,400	85.90	85.90	54.10	(54.10)	0
1,500	95.07	95.07	53.10	(53.10)	0
1,600	104.59	104.59	52.10	(52.10)	0
1,700	114.11	100.91	51.10	(37.90)	3.77
1,800	123.63	50.91	50.10	22.62	20.77
1,900	133.15	0.91	49.10	83.14	37.77
2,000	142.67	0	48.10	94.57	54.77
2,100	152.19	0	47.10	105.09	71.77
2,200	161.71	0	46.10	115.61	88.77
2,300	171.23	0	45.10	126.13	105.77
2,400	180.75	0	44.10	136.65	122.77
2,500	190.27	0	43.10	147.17	139.77
3,000[4]	238.65	0	38.10	200.55	226.16

[1] Based on the basic exemption of $2,270.

[2] The figures in parentheses show the Cost of Living Tax Credit entitlement remaining after provincial income tax has been reduced to zero ($0.00).

[3] The federal reduction is equal to 9% of the basic federal tax (minimum $200, plus $50 for each dependant under age 18 to a maxmimum of $500).

[4] This taxable income level is equivalent to about $5,600 gross income.

Summary of 1977 Manitoba Tax Credit Benefits for Selected Taxpayers by Gross Incomes

TABLE I

Summary of 1977 Manitoba Tax Credit Benefits for Selected Taxpayers by Gross Income

(Dollars)

	SINGLE TAXPAYER — NO DEPENDANTS[1]			MARRIED TAXPAYER — NO DEPENDANTS[1]			MARRIED TAXPAYER — TWO DEPENDANTS[1]			MARRIED TAXPAYER OVER 65 YEARS[2]		
Gross Income	Property Tax Credit[3]	Cost of Living Tax Credit[4]	Total Benefits	Property Tax Credit[3]	Cost of Living Tax Credit[4]	Total Benefits	Property Tax Credit[3]	Cost of Living Tax Credit[4]	Total Benefits	Property Tax Credit[3]	Cost of Living Tax Credit[4]	Total Benefits
2,500	374.45	67.55	442.00	375.00	127.80	502.80	375.00	153.60	528.60	375.00	170.40	545.70
3,000	369.60	62.70	432.30	375.00	127.80	502.80	375.00	153.60	528.60	375.00	170.40	545.70
3,500	364.75	57.85	422.60	375.00	127.80	502.80	375.00	153.60	528.60	375.00	170.40	545.70
4,000	359.90	53.00	412.90	375.00	127.80	502.80	375.00	153.60	528.60	375.00	170.40	545.70
4,500	355.05	48.15	403.20	374.95	127.75	502.70	375.00	153.60	528.60	375.00	170.40	545.70
5,000	350.20	43.30	393.50	370.10	122.90	493.00	375.00	153.60	528.60	375.00	170.40	545.70
5,500	345.35	38.45	383.80	365.25	118.05	483.30	373.85	152.45	526.30	375.00	170.40	545.70
6,000	340.50	33.60	374.10	360.40	113.20	473.60	369.00	147.60	516.60	372.80	168.20	541.00
6,500	335.65	28.75	364.40	355.55	108.35	463.90	364.15	142.75	506.90	367.80	163.20	531.00
7,000	330.80	23.90	354.70	350.70	103.50	454.20	359.30	137.90	497.20	362.80	158.20	521.00
7,500	325.95	19.05	345.00	345.85	98.65	444.50	354.45	133.05	487.50	357.80	153.20	511.00
8,000	321.10	14.20	335.30	341.00	93.80	434.80	349.60	128.20	477.80	352.80	148.20	501.00
8,500	316.20	9.30	325.50	336.10	88.90	425.00	344.70	123.30	468.00	347.80	143.20	491.00
9,000	311.20	4.30	315.50	331.10	83.90	415.00	339.70	118.30	458.00	342.80	138.20	481.00
9,500	306.20	0	306.20	326.10	78.90	405.00	334.70	133.30	448.00	337.80	133.20	471.00
10,000	301.20	0	301.20	321.10	73.90	395.00	329.70	108.30	438.00	332.80	128.20	461.00
11,000	291.20	0	291.20	311.10	63.90	375.00	319.70	98.30	418.00	322.80	118.20	441.00
12,000	281.20	0	281.20	301.10	53.90	355.00	309.70	88.30	398.00	312.80	108.20	421.00
13,000	271.20	0	271.20	291.10	43.90	335.00	299.70	78.30	378.00	302.80	98.20	401.00
14,000	261.20	0	261.20	281.10	33.90	315.00	289.70	68.30	358.00	292.80	88.20	381.00
15,000	251.20	0	251.20	271.10	23.90	295.00	279.70	58.30	338.00	282.80	78.20	361.00
16,000	241.20	0	241.20	261.10	13.90	275.00	269.70	48.30	318.00	272.80	68.20	341.00
17,000	231.20	0	231,20	251.10	3.90	255.00	259.70	38.30	298.00	262.88	58.20	321.00
18,000	225.00	0	225.00	241.10	0	241.10	249.70	28.30	278.00	252.80	48.20	301.00
19,000	225.00	0	225.00	231.10	0	231.10	239.70	18.30	258.00	242.80	38.20	281.00
20,000	225.00	0	225.00	225.00	0	225.00	229.70	8.30	238.00	232.80	28.20	261.00
25,000	225.00	0	225.00	225.00	0	225.00	225.00	9	225.00	225.00	0	225.00

[1] All income is assumed to be from wages and salaries.

[2] All income is assumed to be pension income. The spouse is presumed to be under age 65.

[3] Assumes sufficient property taxes or rental equivalents for these benefit levels.

[4] Benefits are based on personal exemptions using the basic exemption of $2,270, the married exemption of $1,990, the dependant under 16 exemption of $430 and the age exemption of $1,420.

Details of The 1977 Manitoba Property Tax Credit Plan

The 1977 Manitoba Budget Address provided for a further expansion of the Manitoba Property Tax Credit Plan first introduced in 1972. Maximum benefits were raised to $375 for 1977 from $350 for 1976 and general minimum benefits were increased to $225 for 1977 from $200 for 1976.

Since Manitoba first introduced property tax credits in 1972, both the base on which the credit is calculated and the level of benefits have been increased dramatically. Table I shows the steady enrichment of this program since 1972.

TABLE I

Tax Credit Benefits by Calendar Year

Year	Base	Maximum Benefit	General Minimum	Total Resident Homeowner Advances	Benefits Through Income Tax System	Total Benefits
		($)	($)	($ millions)	($ millions)	($ millions)
1972	School taxes only	140	90	n/a	24.2	24.2
1973	All property taxes	200	100	17.5	30.0	47.5
1974	All property taxes	250	150	26.5	34.6	61.1
1975	All property taxes	300	175	31.9	44.0	75.9
1976*	All property taxes	350	200	38.0	49.5	87.5
1977*	All property taxes	375	225	45.0	53.0	98.0

*Estimated

For 1977 benefits paid directly through the property tax mechanism (the Resident Homeowner Advances) will total $45 million. An additional $53 million will be claimed when Manitobans file their 1977 income tax returns in early 1978. Total benefits are expected to be $98 million.

For a home assessed at $6,000 the 1977 Manitoba Property Tax Credit is equivalent to a mill rate reduction ranging from 37½ to 62½ mills depending on income.

As in previous years, benefits within this range are calculated under a formula which relates the size of benefits to ability-to-pay. Thus, a person's maximum potential entitlement is reduced by 1% of his/her taxable income — or one dollar for each $100 in taxable income — to the general minimum entitlement of $225. Thus, while those with higher taxable incomes are eligible for smaller benefits, the general minimum of $225 ensures that this level of assistance is made available to all eligible Manitobans.

In order to ensure that no taxfiler receives more in property tax credit than was paid in property taxes (which for tenants is deemed to be 20% of rent) credit benefits may not exceed the taxfiler's total property tax. Of course, in all such cases where the potential credit entitlement is greater than the actual property tax, the credit completely offsets the property tax.

Benefits under the Manitoba Property Tax Credit Plan are made available in two ways:

(1) Through the income tax system. Benefits may be obtained by filing a 1977 income tax return and Manitoba credit form. In this case, credit benefits will be received either in the form of a reduction in income taxes or in the form of a cheque — to be sent to eligible claimants by the Federal Department of Revenue Canada on behalf of the province.

(2) Through the property tax system. Resident owners of single dwelling units are entitled to receive the general minimum credit benefit of $225 as a reduction — called Manitoba Government Property Tax Credit-Resident Homeowner Advance — on their property tax statements. This payment is part of the recipient's total property tax credit entitlement. Any remaining or net property tax credit entitlement may be claimed by filing a 1977 income tax return and Manitoba credit form.

All individuals resident in the province at the end of the current taxation year may claim a 1977 property tax credit except:

— those under the age of 16;
— those living in the home of and claimed as a dependant by another taxfiler;
— those with no property tax burdens.

Table II shows the estimated benefits available under the 1977 Property Tax Credit Plan for selected taxpayers by gross income level.

TABLE II

Estimated Benefits Provided by the 1977 Manitoba Property Tax Credit Plan to Various Typical Taxpayers*

(Dollars)

Gross Income	Single Tax-Payer[1]	Married Tax-Payer — No Dependants[1]	Married Tax-Payer — Two Dependants[1]	Married Taxpayer Over 65[2]
2,200	375.00	375.00	375.00	375.00
2,300	375.00	375.00	375.00	375.00
2,400	375.00	375.00	375.00	375.00
2,500	374.45	375.00	375.00	375.00
3,000	369.60	375.00	375.00	375.00
3,500	364.75	375.00	375.00	375.00
4,000	359.90	375.00	375.00	375.00
4,500	355.05	374.95	375.00	375.00
5,000	350.20	370.10	375.00	375.00
5,500	345.35	365.25	373.85	375.00
6,000	340.50	360.40	369.00	372.80
6,500	335.65	355.55	364.15	367.80
7,000	330.80	350.70	359.30	362.80
7,500	325.95	345.85	354.45	357.80
8,000	321.10	341.00	349.60	352.80
8,500	316.20	336.10	344.70	347.80
9,000	311.20	331.10	339.70	342.80
9,500	306.20	326.10	334.70	337.80
10,000	301.20	321.10	329.70	332.80
11,000	291.20	311.10	319.70	322.80
12,000	281.20	301.10	309.70	312.80
13,000	271.20	291.10	299.70	302.80
14,000	261.20	281.10	289.70	292.80
15,000	251.20	271.10	279.70	282.80
16,000	241.20	261.10	269.70	272.80
17,000	231.20	251.10	259.70	262.80
18,000	225.00	241.10	249.70	252.80
19,000	225.00	231.10	239.70	242.80
20,000	225.00	225.00	229.70	232.80
21,000	225.00	225.00	225.00	225.00
22,000	225.00	225.00	225.00	225.00
23,000	225.00	225.00	225.00	225.00
24,000	225.00	225.00	225.00	225.00
25,000	225.00	225.00	225.00	225.00

*All examples assume sufficient property taxes or rental equivalents to qualify for these benefit levels.

[1]All income is assumed to be from wages and salaries.

[3]All income is assumed to be pension income. The spouse is assumed to be under age 65.

Details of
The 1977 Manitoba
Cost of Living
Tax Credit Plan

Maximum benefits under the Manitoba Cost of Living Tax Credit Plan have been increased by 8.6% for 1977 in conjunction with the general indexing of the personal income tax system. This latest increase brings maximum benefits for a family of four — married taxfiler claiming spouse and two children under age 16 as dependants — to $154 up $13 from the $141 maximum in 1976 and more than double the maximum benefits available in the first year of cost of living credits in 1974.

Benefits continue to be related to need as reflected in family size and ability to pay as reflected in taxable income under the formula 3% of personal exemptions minus 1% of taxable income. Thus, those with larger families and larger personal exemption claims are eligible for larger potential benefits. Those with no taxable income receive the maximum while those with higher taxable incomes and ability to pay receive smaller credits.

In order to obtain benefits, the applicant must file an income tax return and Manitoba tax credit form. In general all taxfilers qualify for credits except those under 16 years of age, those not resident in Manitoba for income tax purposes and those claimed as a dependant by another taxfiler. Credit benefits will be received either in the form of a reduction in income taxes payable or in the form of a cheque — to be sent to eligible claimants on behalf of the Manitoba Government by Revenue Canada which administers the tax credits for the province.

Following are two tables which illustrate the increase in cost of living tax credit benefits since 1974 and show the assistance the 1977 Cost of Living Tax Credit Plan will provide to Manitobans — particularly those on moderate incomes.

TABLE I

Maximum Cost of Living Tax Credits 1974 to Date, Selected Taxpayers

Family Characteristics	Maximum Benefits			
	1977	1976	1975	1974
Married, 2 children under age 16	$154	$141	$127	$77
Married, no children	128	118	106	64
Single, no dependants	68	63	56	34
Single, Over age 65	111	102	92	55
Married, over age 65*	170	157	131	85

*Assumes spouse is under age 65.

TABLE II

Estimated Benefits Provided by the 1977 Manitoba Cost of Living Tax Credit Plan to Various Typical Taxpayers*

(Dollars)

Gross Income	Single Tax-Payer[1]	Married Tax-Payer — No Dependants	Married Tax-Payer — Two Dependants	Married Taxpayer Over 65[2]
2,200	68.10	127.80	153.60	170.40
2,300	68.10	127.80	153.60	170.40
2,400	68.10	127.80	153.60	170.40
2,500	67.55	127.80	153.60	170.40
3,000	62.70	127.80	153.60	170.40
3,500	57.85	127.80	153.60	170.40
4,000	53.00	127.80	153.60	170.40
4,500	48.15	127.75	153.60	170.40
5,000	43.30	122.90	153.60	170.40
5,500	38.45	118.05	152.45	170.40
6,000	33.60	113.20	147.60	168.20
6,500	28.75	108.35	142.75	163.20
7,000	23.90	103.50	137.90	158.20
7,500	19.05	98.65	133.05	153.20
8,000	14.20	93.80	128.20	148.20
8,500	9.30	88.90	123.30	143.20
9,000	4.30	83.90	118.30	138.20
9,500	0	78.90	113.30	133.20
10,000	0	73.90	108.30	128.20
11,000	0	63.90	98.30	118.20
12,000	0	53.90	88.30	108.20
13,000	0	43.90	78.30	98.20
14,000	0	33.90	68.30	88.20
15,000	0	23.90	58.30	78.20
16,000	0	13.90	48.30	68.20
17,000	0	3.90	38.30	58.20
18,000	0	0	28.30	48.20
19,000	0	0	18.30	38.20
20,000	0	0	8.30	28.20
21,000	0	0	0	18.20
22,000	0	0	0	8.20
23,000	0	0	0	0
24,000	0	0	0	0
25,000	0	0	0	0

*In calculating credit benefit levels, the 1977 exemption levels of $2,270 single exemption, $1,990 married exemption, $430 dependant under 16 years of age exemption and $1,420 age exemption were used.

[1] All income is assumed to be from wages and salaries.

[2] All income is assumed to be pension income. The spouse is assumed to be under age 65.

Distributional Implications of the 1975 Manitoba Property Tax Credit Plan

The effectiveness of the Manitoba Property Tax Credit Plan in re-distributing the property tax burdens of individual Manitobans is evident in the following analysis of property tax credits for 1975, the latest year for which complete information is available.

Maximum benefits were expanded from $250 in 1974 to $300 in 1975; the general minimum was raised from $150 to $175. Resident homeowners of single dwelling units were given the general minimum benefit of $175 as a direct reduction on their property tax statements. These homeowners were permitted to claim any additional or net property tax credit benefits by completing Manitoba Property Tax Credit Application Forms with their 1975 personal income tax returns.

Data from Revenue Canada indicate that 333,660 income taxfilers were recorded as credit recipients receiving total benefits of $70.1 million. An additional $5.8 million in property tax credits entitlement through the Resident Homeowner Advance ($175 or less) and did not complete the Manitoba Property Tax Credit Application Form. Unfortunately, these individuals and their credits are not recorded in the data from Revenue Canada. However, about 14,269 more people received property tax credit benefits through the income tax system in 1975 than in 1974.

Average credit benefits (including the Resident Homeowner Advance) to credit-claiming filers in 1975 were $210, an increase of $34 or 19.3% over the $176 average under the 1974 Property Tax Credit Plan.

Total benefits provided through the income tax system under the 1975 Property Tax Credit Plan amounted to some $44 million. In addition, Resident Homeowner Advance payments amounted to $31.9 million so that total benefits distributed under the 1975 Plan amounted to $75.9 million.

These are significant benefits both in total and on average. Table I shows that benefits were concentrated among people who have relatively high property tax burdens and moderate incomes. Table I also demonstrates that the Property Tax Credit is an extremely effective and sensitive instrument in directing the funds available to assist homeowners and tenants in meeting their property taxes on an ability-to-pay related basis.

TABLE I

1975 Credit Claiming Filers[1] — Selected Statistics

Total Income	Number of People Reporting Property Tax Credits	Average Total Income	Average Gross Property Taxes	Average Gross Property Taxes as a % of Average Total Income	Average Property Tax Credit	Average Propertytax Credit as a % of Average Gross Property Taxes	Average Net Property Taxes (i.e. After Deducting Average Property Tax Credit)	Average Net Property Taxes as a % of Average Gross Property Taxes	Average Net Property Taxes as a % of Average Total Income
$		$	$		$		$		
Less than 2,000	38,333	1,046	270	25.81	203	75.30	67	24.75	6.38
2,000 - 4,000	59,748	3,470	325	9.37	215	65.99	111	34.05	3.19
5,000 - 7,999	63,594	6,485	365	5.64	221	60.40	145	39.61	2.23
8,000 - 11,999	78,981	9,991	447	4.47	220	49.24	227	50.77	2.27
12,000 - 19,000	78,139	14,892	574	3.85	196	34.12	378	65.88	2.53
20,000 —	14,865	28,197	797	2.83	174	21.87	623	78.13	2.20
TOTAL	333,660	9,086	435	4.78[2]	210	48.22	225	51.79	2.47

[1] No information is available on the people who received credit benefits through the Resident Homeowner Advance, and who did not complete the Property Tax Credit form with their income tax returns. Accordingly, these people are not included in the table.

[2] Average derived from totals for all classes.

Manitoba Succession Duty Statistics

Manitoba Succession Duty Statistics

At the end of 1971, the Government of Canada withdrew from the estate tax field. Starting January 1, 1972, Manitoba joined a number of other provinces in implementing individual provincial succession duty systems.

Between January 1972 and December 1974, the Manitoba succession duty was administered by the federal government through Revenue Canada. Starting in 1975, administration was taken over by the Taxation Division, Manitoba Department of Finance. The Manitoba Government's direct administrative responsibility for the tax has permitted the compilation of useful statistics on its impact. For purposes of this study, information was collected from actual succession duty returns for the years 1972 through 1976.

The statistics collected show that the incidence of the succession duty is progressive and therefore consistent with the overall taxation policy of the government. Of the approximately 38,609 deaths involving Manitobans over the age of 20 since the end of 1971, only 811 or 2.1% were subject to any succession duty. In other words for every 100 adults over age 20 in the province who die each year, about 2 pay succession duties.

It is anticipated that the proportion of taxable estates will be reduced still further under the succession duty changes announced in the 1977 Manitoba Budget.

TABLE I

Breakdown of Succession Duty Returns as Filed by Year

Year	No. Manitoba Deaths Over Age 20	No. Non-Taxable Returns	No. Taxable Returns	% Taxable of All Returns Filed	% Taxable No. of Deaths
1972	7,636	2,947	103	3.38	1.32
1973	7,673	4,753	155	3.16	1.98
1974	7,906	5,018	190	3.65	2.37
1975	7,615	5,534	215	3.74	2.68
1976[1]	7,779	5,457	148	2.64	1.49
TOTAL	38,609	23,709	811	3.31	2.10

[1] Estimated — Subject to revision due to time lag in filing.
Source: Health & Welfare and Department of Finance.

TABLE II

Succession Duty Returns — Breakdown (Taxable & Non-Taxable) by Year of Death

		TAXABLE RETURN AGGREGATE NET VALUE (A.N.V.) BREAKDOWN										
	Non-Taxable Returns[1]	$ 50,000-100,000	$100,000-200,000	$200,000-250,000	$250,000-300,000	$300,000-500,000	$ 500,000-1,000,000	$1,000,000 +	Total Taxable Returns	Total Returns	Taxable Estates with A.N.V. Over $200,000 as a % of Total Returns	Taxable Estates with A.N.V. Over $250,000 as a % of Total Returns
1972	2,947	44	18	16	7	10	8	*	103	3,050	1.34	.82
1973	4,753	46	44	24	8	16	11	6	155	4,908	1.32	.84
1974	5,018	76	51	24	8	23	8	*	190	5,208	1.21	.75
1975	5,534	90	49	16	17	25	14	4	215	5,749	1.32	1.04
1976[2]	5,457	87	31	5	6	12	4	3	148	5,605	.54	.45

[1]Non-Taxable Returns — the breakdown of non-taxable estates by aggregate net value size is not available.

[2]Subject to revision due to time lapse in filing.

*Numbers in this category below 3 have been added to the previous category for confidentiality reasons.

Source: Department of Finance.

TABLE III

Succession Duty Returns — Aggregate Net Value (A.N.V.) Breakdown — Taxable Returns Only by Year of Death

		$ 50,000-100,000	$100,000-200,000	$200,000-250,000	$250,000-300,000	$300,000-500,000	$ 500,000-1,000,000	$1,000,000 +
1972	Average Tax Paid	663.33	8,617.99	16,484.18	30,474.96	56,162.82	75,612.58	*
	% Tax Revenue	13.89	7.74	12.62	10.21	26.89	28.96	*
1973	Average Tax Paid	5,026.45	13,050.82	11,209.39	22,034.84	50,947.80	143,483.71	255,473.98
	% Tax Revenue	4.47	11.09	5.20	3.40	15.74	30.49	29.61
1974	Average Tax Paid	5,236.94	13,008.43	17,111.93	23,399.86	47,787.58	270,516.14	*
	% Tax Revenue	8.09	13.48	8.34	3.80	22.33	43.96	*
1975	Average Tax Paid	5,472.18	18,379.97	9,002.86	24,947.61	59,096.51	179,005.19	326,190.32
	% Tax Revenue	6.79	12.42	1.99	5.85	20.38	34.57	18.00
1976[1]	Average Tax Paid	6,380.08	12,965.17	2,936.84	29,956.87	44,542.50	110,499.82	265,182.73
	% Tax Revenue	19.10	13.83	.51	5.57	18.40	15.21	27.38

[1]Subject to revision due to time lapse in filing.

*Numbers in this category below 3 have been added to the previous category for confidentiality reasons. Percentages may not add due to rounding.

Source: Department of Finance.

APPENDIX E

1977 Changes in Federal-Provincial Financial Arrangements

1977 Changes in Federal-Provincial Financial Arrangements

On March 31, 1977 Bill C-37, the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, received Royal Assent. The new legislation took effect the next day, April 1, although certain provisions were retroactive to January 1 and others will not be implemented for some time.

The changes in federal-provincial financial arrangements embodied in the new Act are the most far-reaching of any in at least a decade. They have important budgetary implications both for the federal government and for all ten provinces, and they alter, in a fundamental way, the financing systems for Canada's largest national programs in the health and post-secondary education fields.

Background — The Former Arrangements and Recent Negotiations

By the late 1960's, Canada had in place one of the most advanced sets of intergovernmental financial arrangements in existence. The system was studied widely and commended frequently, particularly by the United States which was then in the process of implementing a rudimentary program of federal-state revenue-sharing.

The most important elements in the Canadian system of federal-provincial financial arrangements included:

- conditional federal assistance to provincial governments, through "cost-sharing," for eligible hospital insurance, medical care insurance and post-secondary education programs. On a national basis, the federal share of these programs was approximately 50%. However, implicit equalization factors in the formulas tended to weight the percentages in favour of less wealthy provinces.

- similar cost-sharing assistance through other agreements for social allowances, manpower training and a wide range of other programs.

- unconditional federal support to provinces through a provincial tax equalization formula. This formula was designed to ensure all provinces would receive per capita revenues equivalent to the national average from all provincial tax sources and thereby be in a position to maintain reasonably comparable levels of services at reasonably comparable overall levels of taxation.

- a provincial revenue stabilization program designed to protect provinces against any year-over-year decline in their total revenues, and

- a national income tax collection system, under which the federal government agreed to administer provincial income taxes provided provinces set their rates in accordance with federal regulations.

In 1972, this set of arrangements was supplemented by the income tax revenue guarantee program, through which the federal government undertook to compensate provinces for revenue losses incurred as a result of national income tax "reform" measures which were implemented that year.

Although most provinces supported these arrangements in principle, a number of major criticisms were voiced by both the federal and the provincial governments about specific aspects of their application. On the federal side, the most frequently expressed concerns related to the fact that the major cost-sharing programs in the health and post-secondary education field involved no limit on the extent to which the Government of Canada was required to "match" provincial expenditures eligible for cost-sharing. Similar concerns about cost escalation also arose in connection with the equalization formula, when provincial oil and natural gas revenues began to increase dramatically, and in connection with the revenue guarantee arrangements when it was discovered that the guarantee formula would generate substantial compensation payments to the provinces.

Over a period of years, the federal government acted on its concerns by imposing new, arbitrary limits on its obligations under the various arrangements. Annual percentage growth ceilings were established for federal contributions toward post-secondary education and medicare programs in 1972/73 and 1976/77, respectively. Starting in 1974/75, a ceiling was also placed on the amount of provincial oil and natural gas revenues to be covered by the equalization formula. Finally, late in 1975/76, the federal government also announced plans to make a retroactive change in the method it used to calculate income tax revenue guarantee payments; the change reduced provincial guarantee entitlements substantially below the levels payable under the original calculation methodology.

On the provincial side, general opposition was expressed to these restrictions on federal support which had not existed when the arrangements were first introduced. However, provincial governments also voiced a number of other concerns. The most frequent criticism centered around the fact that the major cost-sharing arrangements, particularly in the health insurance field, provided federal support only within rigid and sometimes outdated limits, thus distorting provincial programs and discouraging provinces from pursuing priorities which promised greater program effectiveness. The most common example cited was the fact that federal hospital insurance cost-sharing arrangements encouraged expansion of the most costly forms of acute care services but provided no financial support for the expansion of more efficient alternative services such as nursing home care.

Negotiations concerning these problems were carried on for several years, but only marginal improvements were made from the viewpoint of the provincial governments. In early 1976, however, with a substantial number of the arrangements requiring legislative renewal, the federal government agreed to a comprehensive review of most of the major programs and indicated a willingness to consider proposals for a broad revision of financing arrangements.

Throughout last year, several federal-provincial and inter-provincial conferences were convened to discuss a variety of proposals for altering the arrangements. In June, the federal government responded to some initial provincial suggestions by proposing, in general terms, the following modifications:

- the elimination of cost-sharing for hospital insurance, medicare and post-secondary education and its replacement with a transfer of per capita cash payments and additional income tax responsibility to the provinces
- the continuation of the provincial revenue equalization formula, but with certain "technical" changes, and
- the termination of the income tax revenue guarantee arrangements which, it argued, had not been intended as a permanent program.

After further discussions and clarification of the federal plan, the ten provinces responded unanimously to the proposal of the Government of Canada in early December

by presenting a detailed joint position which had been worked out at a series of Provincial Finance Ministers' Conferences — the first time such Conferences had been held.

The joint provincial position, which represented significant compromises and accommodations by all provinces, involved:

- acceptance of the principle of a new form of financing for health insurance and post-secondary education based on a cash and tax transfer, but with some important caveats. It was agreed that cash grants should be escalated in a manner which was not totally independent of the rate of escalation of program costs and that the transfer of income tax responsibility should be accompanied by special equalization payments designed to ensure that all provinces would receive per capita revenues equivalent to those received by the province with the highest per capita yield. Such a plan would prevent smaller, less wealthy provinces from receiving benefits which were less than those received by provinces with higher-yielding income tax bases.
- acceptance of a strong equalization formula without arbitrary ceilings on payment escalation, but
- rejection of the termination of the income tax revenue guarantee arrangements without compensation. The provinces emphasized that they had assumed a compensation arrangement would be proposed on the basis of earlier commitments by the federal government and stated that they would be prepared to accept the transfer of 4 percentage points of personal income tax for this purpose — a transfer which would yield substantially less than would be received if the revenue guarantee formula were extended.

At a Conference of First Ministers in mid-December, the federal government indicated that it was not prepared to accept some of the major features of the provincial position and that its offer of new arrangements had to be considered by the provincial governments on a "take-it-or-leave-it" basis. This position resulted in an end to negotiations and, shortly thereafter, the federal government introduced legislation into Parliament to authorize new financing arrangements in accordance with its most recent proposals.

The legislation received the support of the Official Opposition and was given Royal Assent at the end of March.

The New Financing Arrangements — A General Description

The new Federal-Provincial Fiscal Arrangements and Established Programs Financing Act took effect April 1, 1977. Detailed regulations under the Act have not yet been published, however. The major provisions of the new legislation are described below.

Established Programs Financing

Effective April 1, federal cost-sharing for provincial hospital insurance, medicare and post-secondary education programs was replaced by a transfer of per capita cash payments and greater income tax responsibility to the provinces.

The amount of the transfer was established in relation to provincial cost-sharing receipts in 1975/76. "Base" cash and tax transfer figures were calculated for that year,

each roughly equal to one-half total federal contributions to the health insurance and post-secondary education programs.

Initially, the per capita cash payments for the provinces were not equal, so a process of "levelling" has been developed to "level up" below-average provinces to the national average in the first three years of the new arrangements and to "level down" the above-average provinces in five years, after which all provinces will receive equal payments. Over time, the per capita payments will be escalated at the rate of growth of the Gross National Product.

The cash payments will be made subject to certain general conditions with respect to the maintenance of program standards.

The major concern of the provincial governments with respect to the cash transfers is the adequacy of the Gross National Product escalator. Unlike the former cost-sharing system, federal contributions will no longer bear any direct relationship to program costs, and the federal government will no longer share in any of the risks associated with possible increasing cost pressures in health and post-secondary education programming.

The tax transfer provisions of the new arrangements involve a shift of income tax responsibility from the federal government to the provinces. The total transfer covers 13.5 percentage points of personal income tax and 1 percentage point of corporation income tax. However, 4.357 percentage points of personal income tax and the 1 point of corporation income tax had been transferred earlier (in 1967) as part of the former post-secondary financing arrangements. Consequently, the net new transfer involved only 9.143* points of personal income tax.

Retroactive to January 1, basic federal income tax will be reduced by 9.143% and provincial income tax rates will be converted to levels sufficient to yield revenues equivalent to the federal reduction, generally leaving taxpayers unaffected. Under existing federal-provincial tax collection agreements, provincial income tax rates must be expressed as percentages of federal basic tax and must be expressed in "rounded" terms. Because the provincial rates are expressed in terms of a smaller base, the required converted rates appear to increase by somewhat more than 9.143 points.

Following is a summary of converted 1977 provincial personal income tax rates:

Province	Pre-conversion Rate	Converted Rate
	(% of basic federal tax)	
Newfoundland	42.0	58.0
Prince Edward Island	36.0	50.0
Nova Scotia	38.5	52.5
New Brunswick	41.5	55.5
Quebec	—(1)	—(1)
Ontario	30.5	44.0
Manitoba	42.5(2)	56.0(2)
Saskatchewan	45.0	58.5
Alberta	26.0	38.5
British Columbia	32.5	46.0

(1) Quebec does not express its rate as a percent of basic federal tax.

(2) Includes municipal share (2 points before conversion; 2.2 points after).

*The initial federal proposal called for a net transfer of 8.143 points.
In December, 1 extra point and an equivalent addition to the cash transfer were added as a partial offset for the termination of the revenue guarantee.

Initially, the amount of the tax transfer was calculated in relation to the province with the highest per capita yield. Since all provinces receive the same number of points, however, this means that the yield in other provinces is lower.

To offset a portion of the resulting discrepancy, the federal government will supplement the tax transfer with equalization payments designed to assure all provinces per capita revenue yields equal to the national average. It has also guaranteed that it will make transitional adjustment payments to all provinces where the value of the tax transfer plus equalization is not equal to the value of the cash transfer.

All provinces except Ontario will receive transitional adjustment payments in 1977/78 and most are expected to receive such payments for several years thereafter. This means, in effect, that for smaller provinces the value of the equalized tax transfer will not grow any faster than the cash transfer — that is, at the rate of growth of G.N.P. — for the foreseeable future, while a few larger provinces will realize an early and growing revenue advantage.

In earlier negotiations, the provinces had pointed out that the cost to the federal government of equalizing the tax transfer in such a way as to offset this problem (by ensuring all provinces would receive the same per capita yield as the wealthiest province) would not have been substantially greater than the projected cost of the arrangements which have been legislated, at least in the short run. The provincial proposal for equalization "to the top" was rejected, however.

A further problem with the tax transfer became evident when the federal government announced plans to recover an alleged "overpayment" in respect of the three months at the beginning of 1977 when the old cost-sharing arrangements were still in effect. Provinces argued that because of payment scheduling factors, the problem was minimal. However, the federal legislation provides for a substantial recovery in the initial years of the new arrangements. The amount of the recovery remains subject to negotiation.

Extended Health Care Financing

In January, 1975 the federal government offered to extend existing cost-sharing for hospital insurance and medicare to cover certain alternative care services designed to improve the efficiency and effectiveness of provincial health care delivery systems.

Subsequently, when negotiations began on general financing arrangements in 1976, the earlier federal offer was rescinded and replaced by an offer of a flat $20 per capita payment in respect of extended services. Provision was made for these per capita payments in the new Established Programs Financing legislation.

For Manitoba, the per capita payment system will yield revenues which may offset previous recoveries from the federal government in respect of certain other arrangements. However, the yield will be far short of the amount anticipated if the 1975 commitment to extend cost-sharing had been carried forward.

The new arrangement penalizes provinces such as Manitoba which have pioneered the development and expansion of lower cost alternative services such as nursing home care and home care, while it provides a revenue advantage to some of the larger and wealthier provinces which, in some cases, have not developed their programs to the same extent as Manitoba. In effect, the new arrangements discourage efficiency in the health care field — the exact opposite of their stated purpose.

Equalization

The basic system of provincial tax equalization will remain unchanged with the new

legislation. Equalization payments will continue to be made to provinces whose tax yields are less than the national average.

However, new limits will be placed on the amount of equalization payable in respect of natural resource revenues. Starting in 1974/75, two-thirds of extra oil and natural gas revenues resulting from price increases after 1973 were excluded from the equalization calculations. In 1977/78, this ceiling will be replaced by a new limit under which only 50% of all revenues from non-renewable resources will be equalized. A second ceiling will prevent total equalization in respect of all natural resource revenue from exceeding one-third of total equalization payments.

Manitoba and several other provinces criticized these limits on the grounds that their imposition undermined the principle behind the equalization formula. When it was originally established, the formula was designed to include all provincial "own source" revenues to ensure that revenue disparities among provinces would not widen over time.

A further modification in the equalization formula will involve a change in the method used to calculate payments in respect of school property taxes. If current proposals remain unchanged, Manitoba's equalization entitlement in respect of this revenue source will be reduced substantially. It has been pointed out that when school tax equalization was introduced in 1973, provinces were urged to pass on the full amount of extra equalization they received to school divisions and their taxpayers and that Manitoba did so in good faith, on the assumption that this source of support would continue.

The Income Tax Revenue Guarantee

When the income tax revenue guarantee arrangements were introduced in 1972 to compensate provinces for revenue losses which they might experience as a result of adapting their tax systems to conform to federal tax "reforms" implemented that year, most provinces expected — on the basis of federal assurances at the time — that if substantial guarantee payments were required, some continuing compensation would be provided beyond the guarantee arrangements' formal expiry date at the end of 1976.

By the middle of the 5-year term of the guarantee, it had become obvious that payments to provinces would be very large. In fact, the payments suggested by the original calculation method imposed by the federal government were so large that, in 1976, it made a unilateral and retroactive change in the calculation methodology so as to reduce its remaining commitment.

Subsequently, the federal government refused to continue the revenue guarantee past 1976 or to offer what the provinces regarded as adequate alternative compensation.

As noted earlier, the new Fiscal Arrangements and Established Programs legislation provides 1 point of personal income tax and an equivalent amount of cash as partial compensation, but this amount is far lower than would have been received if the guarantee amounts had been extended.

A new very limited short-term revenue guarantee has been added, but this will only apply to personal income tax and only for one year if the federal government implements substantial reductions affecting provincial revenues.

In addition to opposing the elimination of the 1972 revenue guarantee the provinces also expressed concern about the new guarantee. With greater responsibility for income taxation and with the need to rely on it more heavily to support programs which formerly

were cost-shared, the provinces' budgetary positions are more vulnerable to possible federal income tax reductions which could reduce their revenues.

Financial Implications for Manitoba

Overall, it is estimated that the new federal-provincial arrangements will mean a revenue shortfall to Manitoba of from $34 million to $70 million in the 1977/78 fiscal year. The lower figure, $34 million, represents the certain shortfall relative to 1976/77 Printed Estimates caused by the termination of the revenue guarantee. The higher figure — $70 million — represents a loss of potential revenue which would have been received had the federal government not rescinded an earlier promise of full sharing for lower cost alternative health services such as nursing homes, had it not changed the way equalization is calculated for school property taxes, and had it not decided to effect a recovery of what it alleged were payment "overlaps" occasioned by the introduction of the new arrangements.

APPENDIX F

RECENT MINISTERIAL STATEMENTS ON FISCAL AND ECONOMIC MATTERS AND FEDERAL-PROVINCIAL FINANCIAL RELATIONS

HONOURABLE SAUL MILLER

MINISTER OF FINANCE

GOVERNMENT OF MANITOBA

NOTES FOR A STATEMENT ON THE CANADIAN ECONOMIC SITUATION AND FEDERAL BUDGET OPTIONS

FEDERAL-PROVINCIAL CONFERENCE OF MINISTERS OF FINANCE

OTTAWA: FEBRUARY 1 and 2, 1977

NOTES FOR A STATEMENT ON THE CANADIAN ECONOMIC SITUATION AND FEDERAL BUDGET OPTIONS

Mr. Chairman:

I very much appreciate the fact that you have indicated an interest in receiving provincial views on the national economy and on some of the major budget options which are now before your government.

I am especially pleased to have a chance to speak about your upcoming Budget — since a great deal of the money you now have to spend is money we on the provincial side still feel should be in our treasuries — or in the pockets of our taxpayers. But, that aside, we certainly welcome this step towards a consultative approach to federal economic policy — and towards the kind of open budgeting process you have talked about, Mr. Chairman, for some time now. I hope to see this kind of consultation occurring on an ongoing basis, both at the ministerial level and at the official level, as your policy develops.

There seems to be general agreement about the nature of at least some of the major economic problems facing us. The Canadian economy has certainly recovered from its low of almost two years ago, but since then there seems to have been no in-built strength in any sector to sustain the recovery; the corollary has been very serious — and worsening — unemployment rates.

The fact that this generalized weakness is common to most developed countries does not excuse us from attempting to improve this situation. Certainly, weak exports make resumption of strong growth in Canada more difficult. But since export demand has, in fact, been stronger than domestic demand, there is considerable scope for government action.

Export demand, as I say, is weak; but weaker still are consumer expenditures, government expenditures, and corporate expenditures. Obviously, the Anti-Inflation Program has had a considerable hand in bringing about this situation, by curtailing consumers' incomes, and thus also demand for Canadian products on the one hand, and sources of government revenue on the other. Most authorities are now calling for at least some expansionary measures in the near future.

The priority of controlling inflation has been used continuously over the last year or so as a reason for not attempting to stimulate demand. But if there ever was good reason for this argument, it is becoming less and less tenable now. Demand expansion can only be inflationary if the demand cannot be met and so the prices of scarce resources can be bid up.

But the spare capacity to meet increased demand is increasing steadily. At the worst of the 1974-75 downturn, unemployment was around the 6% mark, and industrial capacity utilization was around 90% — indicating a considerable degree of slack by historical standards. But, by the third quarter of last year, the unemployment rate was approaching 8% and capacity utilization was down to 85%.

In these circumstances, I fail to see how significant demand expansion could be inflationary.

In terms of specific budget options, I would like to deal first with one which has received considerable attention and has even been put forward by the Chairman of the Anti-Inflation Board: investment incentives. You indicated at the last First Ministers' Meeting, Mr. Chairman, that you could understand corporations not investing when they are operating so far below capacity. I agree; why use limited government revenues to pay corporations to increase their spare capacity?

Indeed, there is no obvious reason for having investment incentives at all when there is so much spare capacity in all sectors. Such incentives, if used at all, should only be used as temporary measures — to be imposed when capacity shortages are foreseen, and removed when there is excess capacity — as there is now.

Yet, over the last two decades in Canada, we have seen incentives piled upon incentives, with the major impact seeming to be the reduction of tax revenues at both our levels of government. I am told that several independent studies on the impact of the 1972 incentives indicate that your government's Tax Measures Review Committee over-estimated by four times the economic impact of these measures — and under-estimated the revenue loss; this raises serious doubts about the effectiveness of investment incentives in the past — even in times of capacity shortage.

The arguments presented in favour of investment incentives, however, often tend to concentrate on the need to support corporations' cash-flow in difficult times, rather than any need to increase capacity.

In this connection, it is commonly suggested that, in spite of the investment credits against excess income, the Anti-Inflation Program has discouraged investment. With corporations' rates of return on equity in the first three quarters of 1976 averaging 18%, I do not find this argument very convincing.

Further, investment incentives encourage corporations to become more capital-intensive, by making capital cheap relative to labour. They also encourage the development of capital-intensive industry, at the expense of the type of industry which can employ more Canadians.

Since investment incentives are generally introduced as measures to increase employment, I suggest that the direct approach would be far more preferable. Let scarce revenues be expended on promoting employment rather than on investment incentives.

Corporations have been suggesting recently that their cash-flow difficulties arise from the absence of inflation-accounting, particularly in the calculation of their tax-liabilities. With regard to capital costs, the problem of rising replacement costs is met for many corporations already by fast write-offs for taxation purposes, as well as investment tax credits. To introduce inflation-accounting on top of these provisions would be superfluous.

While there may be good arguments in favour of inflation-accounting, it should not be introduced without a complete overhaul of the corporate tax structure, which was designed to accord with traditional accounting methods.

Apart from everything else — and perhaps the most important immediate consideration — any change which further reduces corporate contributions to the costs of public services automatically means that increased revenues must be raised from other sources, with probably a greater direct impact on the average Canadian.

Following the discussion at the last First Ministers' Meeting, I derived some small comfort, Mr. Chairman, from your explanation of your hard bargaining stance. You indicated that you wanted to retain "fiscal freedom of action". Since this freedom was gained at the expense of important provincial public services, I would hope that you will not direct it towards investment-inducing measures whose impact is questionable at best.

If you are considering a tax cut, I would suggest that consumer demand be the target. Possibly the best vehicle for putting money in the hands of consumers would be a tax credit designed to help average and lower income people. In this connection, I have been encouraged by reports that such a plan — perhaps aimed partly at offsetting rising energy costs — is under study in your Department.

Since the federal treasury will be saving anywhere from $400 million to $1 billion — and perhaps more — in reduced payments to the provinces under the new financing arrangements in the next fiscal year alone, this would allow you "fiscal freedom" to provide substantial assistance through such a plan.

As things stand now, the only recent beneficiaries of major federal tax reductions are high income earners who will not have to pay a surtax for 1977 — involving the federal government in a revenue loss of $115 million. I would strongly urge that the surtax be reinstated; it was introduced as a measure to promote equity during the Anti-Inflation Program, and should therefore remain in force at least as long as that Program is in force. With the revenue thus retained, the total available for possible distribution in the form of personal tax reductions would be in the order of $500 million to $1.1 billion.

There is, of course, considerable similarity in concept between this option and your colleague, Mr. Lalonde's proposals for an Income Supplementation Program for the working poor. Since we have seen reports that your government is giving serious thought to fulfilling its promise to implement such a plan before your current term expires, perhaps through the income tax system, it may well be that our thinking is now very much along the same lines. I hope, Mr. Chairman, that you can tell us how your task force's work is progressing.

Meanwhile, the federal government is still saving around $300 million a year as a result of the temporary de-indexing of Family Allowances in 1976. It is worth noting that this money was apparently earmarked for the promised supplementation plan at one time.

This kind of general demand stimulation through tax relief would not, of course, meet all our economic problems. While raising the overall level of economic activity, it would not necessarily deal with the serious regional disparities in economic activity. For this reason, we welcomed the recent injection of funds into federal employment programs. I am concerned, however, that the amounts of funding involved were grossly inadequate given the extensive nature of our current national unemployment problems. The initiative merely represented a partial recouping of ground lost over the last two years when most of the funding was pulled out of job-creation programs — in the face of rising unemployment.

I would therefore hope to see further funds devoted to providing employment in those regions and sectors hardest hit in recent months. There are vast sums — around $3 billion a year — being given to corporations in the form of investment

incentives which, as I argued earlier, could more effectively be replaced by measures to promote employment much more directly. I would further hope that the design and implementation of the employment programs could be a joint federal-provincial exercise in a *real* sense, as they were — to an extent — under the Winter Capital Works Programs a few years ago. The knowledge and expertise is available at the provincial level to determine where employment programs are most needed — and implementation can be expedited most effectively through a joint approach.

The construction industry would be a good conduit for some of these employment funds in that it has a good reputation as a growth generator. We should not be smug because of the apparent favourable housing supply situation. In part, this reflects temporary weak demand for housing because of the slowdown in the rise in personal incomes, and also because of mortgage rates which, despite recent reductions, are still very high.

The apparent housing glut also masks a continued need for low-income housing, renewal of the existing housing stock, the provision of community health and recreation facilities, particularly in urban and rural areas, and so on. I do not want to quote Mr. Galbraith's "Affluent Society", but it could be argued that there is an almost infinite need for public expenditures, many of them labour-intensive. If the private sector does not want to use spare capacity in terms of labour and capital, there is certainly enough need which the public sector could satisfy with that capacity.

This, then, Mr. Chairman, is our response to the invitation to present the Manitoba viewpoint on national economic policy. You may note that I have not touched on the traditional variable of fiscal policy, the "net budgetary position" — the size of the surplus or deficit. This reflects the view that the economic impact of government revenues and expenditures is determined more by their composition than by their relative amounts. For example, I have suggested that expenditures on promoting employment would be much more effective in the current economic situation than foregoing corporate taxes to stimulate investment. Here we have an example, in fact, of an *increase* in the size of the government sector which would provide an inflation-free stimulus. On the other hand, a *reduction* in federal revenues by introducing inflation-accounting, or in federal expenditures, by raising the domestic oil price and thus reducing the oil subsidy, could be inflationary. We all know, for that matter, that the expected relatively low increase in federal government revenues and expenditures in 1977/78 as a result of the E.P.F. settlement will be the result of what is essentially a change in accounting procedure, and will have no economic significance whatsoever.

My last word of caution, therefore, Mr. Chairman, is that you ignore simplistic arguments about the merits of particular percentage increases in the federal government sector. Rather, I would urge you to weigh carefully the relative merits of different compositions of revenue — collected and foregone — and expenditures, mindful of the plight of the hundreds of thousands of unemployed Canadians. For them, the economic problems which we are discussing here in abstract terms are very real.

HONOURABLE SAUL MILLER

MINISTER OF FINANCE

GOVERNMENT OF MANITOBA

NOTES FOR A STATEMENT ON THE NEW ESTABLISHED PROGRAMS FINANCING ARRANGEMENTS

FEDERAL-PROVINCIAL CONFERENCE OF

MINISTERS OF FINANCE

OTTAWA: FEBRUARY 1 and 2, 1977

NOTES FOR A STATEMENT ON THE NEW ESTABLISHED PROGRAMS FINANCING ARRANGEMENTS

Mr. Chairman:

Not much is likely to be accomplished at this meeting by repeating the main arguments for and against the new "Established Programs Financing Arrangements" for health insurance and post-secondary education.

For all intents and purposes, that sort of general debate has ended. And, we all know the results.

Forced into an all-or-nothing, take-it-or-leave-it situation, at the First Ministers' Conference in December, the provinces had to concede, reluctantly, that no real choice was open to them.

Some highly questionable, federally-prepared calculations released at the end of that meeting suggested that the provinces stand to *gain* some $680 million in the next fiscal year under the new arrangements. Unfortunately, the federal arithmetic ignored the much larger *loss* of over $1 billion which we face because of the termination of the revenue guarantee.

But, as I said before, it probably would not be very productive to reopen that line of argument. It is sufficient to note that the First Ministers' meeting ended with a general "package" on the table, but without a number of important details having been resolved or agreed to.

Clearly, there are a great many "loose ends" which have to be sorted out and settled. And, I understand that the federal government has even introduced some new elements into the discussions since December — at least one of which could change the nature of the "package" in a major way, through a sizeable reduction in the amounts provinces may expect to receive next year.

Some might say that it's a little early in the game to be changing the rules, but that is what almost seems to be happening — and it concerns us — as do several other questions which remain open. I would like to comment briefly on some of the main issues which still haven't been finalized.

Equalization

Up until December, we were assured that the proposed new equalization formula would yield payments in future which would be very similar to those which would have been made under the old formula. Now, however, there seems to be some doubt about this. I am told that some updated comparative figures for next year will be made available to us shortly so that we can assess the differences. I will look forward to seeing them.

In December too, several provinces expressed concern about a federal plan to change the way school property taxes are treated in the equalization formula — a plan which would mean roughly a $10 million revenue shortfall for Manitoba. I was encouraged to hear that, at the officials' level, there has been an indication that this plan may be set aside in favour of a modified version of the earlier system. Unfortunately, I understand that a decision may not be made until summer, when regulations are finalized. It would be helpful if we could receive an undertaking here,

before the legislation is introduced, that consideration will be given to a system which will ensure that school tax equalization payments are not reduced in a significant way.

One final point: we have already made known our concern about the proposed one-third ceiling on the amount of equalization generated by resource revenues. We believe that it undermines the basic principle of equalization, and that if it isn't needed now, it shouldn't be included in the new legislation. Recently, our officials were advised that, according to federal estimates — which include an allowance for an oil price increase this summer — equalization attributable to resource revenues will fall to about 26% of total payments next year — considerably below the projected 29% for this year, and the 33 1/3% level set for the ceiling. If this is correct, then it seems to substantiate our view that if the ceiling is not necessary for the immediate future, it should be set aside for consideration if and when circumstances require it.

The New, Limited Revenue "Guarantee"

Until very recently, it was not widely appreciated that the new, limited, one year "guarantee" of compensation for provincial revenue losses caused by federal tax changes will be even more limited than it originally appeared. The fact that provincial income tax losses have to exceed 1% of basic tax before compensation is paid, and the fact that the compensation will only cover amounts in excess of the 1% threshold, suggests that the "guarantee" may prove to be virtually meaningless. We believe a lower threshold should be considered.

Provinces will naturally be waiting with interest to see if the new "guarantee" will have to be put into effect as a result of the next federal Budget.

The Established Programs Financing Arrangements

The greatest number of outstanding concerns, of course, centre around the new Established Programs Financing Arrangements.

At our last conference in December, I drew attention to one of them — the problems associated with the mechanics of transferring tax points to the provinces. I understand our officials have already had some fairly lengthy discussions of this question and have identified several areas where difficulties could arise if the transfer is not "finely tuned" — including the possibility of:

- some anomalous after-transfer effects for significant numbers of individual taxfilers, and
- the potential for revenue advantages for the federal government.

Since I assume we all share the same general objective in this case — that the tax points should be transferred in such a way as to have no adverse effects on taxpayers or on either level of government — I hope that there will be no attempt by the federal government to rush definitive new legislation into effect before these concerns are resolved. Since federal officals have confirmed that, given a clearly-offsetting transfer, there should be no need for payroll deduction changes on July 1, or at any other time during 1977, we feel there should be ample opportunity over the next few months to work out the most equitable transfer mechanism possible.

Perhaps I should emphasize here that we see no reason why this would necessitate any delay in making interim payments to the provinces under the new system. Initial payments can be based on preliminary calculations, and modifications can be made at a later date when the precise transfer mechanism is finalized.

The payments question is, of course, one of the most complex issues facing us. We are now told that because the federal government believes there is a danger the provinces may be over-paid in the first quarter of this calendar year — a period when, in theory, there is a three-month overlap between the old cost-sharing system and the new tax and cash transfer arrangements — it wants to deduct perhaps as much as $800 million from provincial payments for 1977/78, including some $33 million from Manitoba.

Earlier, I referred to the "rules of the game" being changed. It is interesting to note that no allowance was made for an $800 million deduction in the "provincial gains" calculations which the federal government released after the December conference. If such a deduction is taken into account, it alters the "package" discussed by the First Ministers in a very substantial way.

There is no question of our arguing for "double payments". We simply want to see the transition from the old to the new payment systems implemented in a fair way.

Regrettably, the problem is a complicated one. It requires harmonization of a number of different payments schedules and arrangements, some of which date back to agreements reached five, ten, and even close to twenty years ago.

As I understand it, the federal government has proposed a full recovery of the value of 13.5 points of personal income tax for the first three months of 1977 — with deductions to be phased over three years. Such a reduction does not appear appropriate.

- Provinces do not receive their income tax payments in the months they are collected. There is roughly a two month lag. For 1977, payments will not start until March.
- Of the 13.5 personal income tax points being discussed, the provinces already have 4.4 points for post-secondary education, and an additional 1 point of the transfer is supposed to represent compensation for the revenue guarantee. It should have nothing to do with the cost-sharing payments "overlap" question.
- There are already lags in existing cost-sharing payments, and some $111 million in post-secondary cash entitlements are being held back for 1976/77 as a result of a unilateral federal decision announced earlier this year.

Some suggestions have been put forward to resolve these questions, including the possibility of a speed-up in our tax collection payments. We are prepared to consider such suggestions here, but we believe the matter is complex enough that it may have to be turned over to officials for analysis in more detail than has been possible up to now.

I would hope that we will also be given an opportunity quite soon to consider some of the other specific plans for administering the new transfer system. Many of these issues — such as the establishment of accurate provincial population figures for

per capita payments — will have important long-term implications for provincial payments. We do not regard them as insignificant technical matters which can be resolved after new legislation takes effect.

The Per Capita Offer For Extended Health Services

Over the last few weeks, I understand that two further revisions have been made to the federal offer concerning "block funding" for extended health services — initially bringing the offer to $21 per capita, and then, a day or two ago, changing it again. I have been told as well that a few preliminary officials' meetings have also been held to go over some of the specific implications of the offers.

Up to now, our assessment of the proposals in their ever-changing form is that they are not an adequate replacement for cost-sharing commitments which had previously been made by the federal government. Our own calculations suggest that the per capita amounts offered so far would barely offset existing recoveries for Manitoba. And, they would not come close to matching the support levels that were anticipated under:

- the 1975 offer to extend hospital and medical care sharing to cover alternative services, and
- the mid-1976 version of the proposed Social Services Act.

We feel the new offer penalizes provinces such as ours which have pioneered developments in more efficient alternatives to more costly acute care services — alternatives, such as our Home Care Program, which have not yet reached a "maturity" stage.

Since a number of provinces seem to share many of our concerns, and since the per capita offer has not been discussed by our colleagues, the Ministers responsible for Health and Social Development, I would hope that consideration will be given to putting off the unrealistic February 15 deadline for provincial decisions until after a full-scale conference can be held for both Health and Welfare Ministers.

I understand that "omnibus" legislation to bring most, if not all the new arrangements into effect, will probably be ready for presentation to Parliament in a matter of weeks.

I assume that the primary reason for assigning such a high priority to this legislation is the fact that some of the current arrangements expire at the end of March.

While I can appreciate that timing is a problem, I think it would be very unwise to proceed precipitously with detailed new legislation at a stage when so many important questions remain unresolved. If we can settle a number of these concerns at this conference, the problem may be less acute. But, if we cannot, I would hope that the federal government will explore the possibility of using existing legislative authority — or some form of general enabling legislation — for making interim payments to the provinces until such time as agreement can be reached on the outstanding issues.

It would be very difficult for Manitoba, and probably for a number of other provinces, to give up our formal guarantee of hospital insurance cost-sharing — as was discussed by the First Ministers in December — without a reasonably clear understanding that our major concerns — especially those related to the established programs "package" — will be settled in an equitable way — as I think the First Ministers assumed would be the case.

HONOURABLE SAUL MILLER

MINISTER OF FINANCE

GOVERNMENT OF MANITOBA

NOTES FOR A STATEMENT ON THE ECONOMIC SITUATION

FEDERAL-PROVINCIAL CONFERENCE OF MINISTERS OF FINANCE

OTTAWA: DECEMBER 6 and 7, 1976

NOTES FOR A STATEMENT ON THE ECONOMIC SITUATION

Mr. Chairman:

It is obvious that the problems facing our economy are so serious and so far reaching that it would be impossible to give them sufficient attention at a meeting such as this. For this reason, our government is very pleased that national economic concerns will also have a high place on the agenda for next week's conference of First Ministers.

It is clear that both next week's conference and this one today must deal with two sets of problems:

- first, the immediate, critical situation with respect to unemployment and what we regard as some very serious problems with the Anti-Inflation Program, and
- second, for the longer term, a wide range of difficult questions concerning the so-called "post controls" period.

I will not attempt to deal with all our government's concerns about these issues in a single statement here today. I would like to concentrate my remarks at this meeting on the overall economic situation and on some longer-term considerations. I have had a separate statement prepared on our government's detailed concerns about the current operations of the Anti-Inflation Program and I will table that statement now.

I would hope that our paper on the Anti-Inflation Program will receive careful attention from the federal government. It indicates that our government continues to have serious reservations about the effectiveness and the equity of the way the controls have been applied.

We hope that changes will be made to rectify these and other problems, but, based on what we have seen over the past year, we are not optimistic about significant improvements.

We do not dispute the need for restraint. In fact, we are committed to continuing to see that restraint policies are applied rigorously in the public sector in Manitoba.

Turning to other aspects of the economic situation, I recall that, over a year ago, our government expressed concern that, despite the best intentions for the Anti-Inflation Program, inadequate attention was being paid at the federal level to the problem of unemployment. Although one of the ultimate aims of the controls program was to increase employment in the long run, we argued that it obviously could not be regarded as a policy to be relied on exclusively in this regard.

Laying aside the merits of the Anti-Inflation Program itself, it seems clear that overall federal policy is having a restrictive effect on the economy:

- the unemployment rate is already at 7.6%,
- the so-called recovery is weakening, and
- industry is operating at far lower than full capacity.

We believe that the federal government must take action as soon as possible to deal with the immediate problems facing us.

We feel that a special budget should be introduced at the earliest opportunity and that this budget should involve major new initiatives to create jobs.

Obviously, there are a number of options. Direct expenditures on job creation, particularly in the area of housing, represent one alternative which our government has advocated for a number of years. In this connection, we were encouraged by the recent addition to the funding available for the Local Initiatives Program and various in-government projects at the federal level. At the same time, we were concerned that the amount of new funding involved was relatively small given the seriousness of the current problem. We were also disturbed by indications that only very high unemployment regions would receive any additional assistance. While we support selectivity, we believe that the extent of the current problem is such that more funds are needed in most parts of the country.

If the federal government were to consider using the tax system to help stimulate job creation in a new budget, I would hope that any new measures which were introduced would reflect the work which, we understand, is now going on within the Department of Finance on the use of tax credits and on the possibility of integrating the income tax system with various income transfer programs. Our government was among the first to introduce tax credits in Canada and among the first to press for studies on the concept of integration. We would certainly be pleased to co-operate closely with the Government of Canada in any joint research on this subject and to share the data that we have accumulated on the effectiveness and equity of the tax credit measures we have introduced in Manitoba.

While we would support equitable tax reductions, we would be very concerned if the federal government chose to implement further changes which would involve major tax advantages to higher income groups. The annual indexing of tax exemptions and tax brackets continues to work to the advantage of higher income groups, at enormous cost to both the federal government and the province.

In this connection, we will be very interested to learn what the federal government's intentions may be with respect to the continuation of its surtax on higher income groups. We believe the surtax should be continued and strengthened next year.

One final point on the tax side — we would oppose any further tax incentives for large corporations. At a Finance Ministers' meeting earlier this year, our government raised the issue of the need for a full accounting of the cost of tax concessions or "tax expenditures" on the corporate side as is done in the United States. Since that time, a great deal has been written about this concept and I would hope that the federal government is giving it careful study. The fact is that most available evidence suggests fast write-offs and other similar concessions have been far less effective and far more costly as job creation measures than direct expenditure programs.

Information included in your Budget earlier this year indicated that the total deferred corporate income taxes resulting from fast write-offs and other corporate incentives exceeded $5 billion at the end of 1973 and was growing at close to $1 billion per year. At this rate, it appears safe to assume that the total currently is in the order of $8 billion — although we would welcome a more up-to-date "official" estimate from the federal government. In our view the high cost of these corporate incentives at a time when almost 800,000 are unemployed and industry is operating at 85% capacity, is ample proof of their failure to provide adequate employment

opportunities in Canada. Accordingly, it would be not only futile but also wasteful to provide any further tax incentives for large corporations as a means of dealing with the current unemployment situation.

Finally, we feel that a new budget should not ignore the continuing problem of oil and natural gas pricing. Mr. Chairman, you recently delivered an address in the United States in which you expressed very serious concerns about the impact on the economies of developed countries if there were to be another major international oil price increase. Surely the same concerns must apply with respect to the domestic economy. I would hope that it is not a foregone conclusion that we will continue to see domestic prices rising indefinitely, once or twice a year, with no real accounting of whether the higher prices are having the desired effect in terms of encouraging new exploration and development.

Of course, as I said earlier, our government's concerns about the economy go beyond the immediate problems related to high unemployment and the A.I.B. The events of the past year or so have underscored the importance of a fundamental examination of how economic policy should be designed and implemented in the future. One of the major advantages of the Anti-Inflation Program, of course, has been that it has raised basic issues which must be resolved if we are to have a healthy economy — and a healthy society.

One clear lesson of the last few years is that, whatever economic policy the federal government adopts, it will be more successful if it is devised and introduced in an atmosphere of openness, cooperation, and respect for differing viewpoints. Virtually all interest groups in our society agree on this, and it is for this reason that our government welcomed the publication of the discussion paper, "The Way Ahead", as a starting point for such an approach.

I would hope that we can have some preliminary discussions at our meeting today about where our economy should go from here. Then, presumably, the subject can be dealt with in more detail by our First Ministers next week.

The federal discussion paper advocated, and I quote, "The continuing search for a more productive and constructive basis for federal-provincial relations" and "more effective federal-provincial consultative mechanisms". These are both commendable objectives and ones which we support fully. We hope some alternatives for achieving these goals can be explored here today.

Of course, some interesting possibilities are already apparent. Around the time of the last Federal Budget, various federal ministers spoke about the need for a new, more open approach to budgeting, with prior discussion of options and directions. It would be interesting to know if the federal government has had any further thoughts on this possibility.

A specific opportunity for consultation and cooperation which we believe would promote a more unified view of the economy would be in the area of economic forecasting. A valuable start has been made through one of our officials' groups — The Economic Data Sub-Committee — but much more could be done on an ongoing basis and *should* be done as an essential part of the discussion of where our economy should go from here.

In this connection I understand that reports have circulated recently which indicate that the federal government may be considering a large-scale national conference on post-controls sometime in 1977 which would involve labour, business, the provinces, and, of course, the federal government. Without commenting on the

possible advantages or disadvantages of such a conference, I do think that, over the next year, it seems imperative that there be a thorough examination by all interested groups of the options which are open to us in the years ahead.

To assist in such consultations, Manitoba would like to propose that the federal government and the provinces join in a concerted effort to develop — within three to six months — a detailed technical assessment of the major policy options open to us for the next five to ten years, along with forecasts of the impact of adopting various alternatives.

Some of the best economists in Canada are employed in our federal and provincial governments and, over time, we have developed probably the best capacities for forecasting and analysis of policy alternatives which are available in Canada. What we are suggesting is that these resources be put to use on a joint basis in an intensive study which would involve forecasting, costing out specific medium-term options, and so on.

The results of this study could be presented as a joint working paper to officials of the labour movement, to business, and to the general public for comment. The material would be "neutral" in the sense that it would represent shared technical responsibility. It would offer a real chance for consultation and a real test for the cooperative approach to policy development. The exercise would not represent government planning *per se*, but it would involve part of what planning is all about — that is, it would be a start towards rational policy making. It would foster the kind of consultation we want to encourage and would give Canadians a far more complete picture of the options before them than has been possible up to now.

I will look forward to hearing the views of the federal government and the other provinces on this proposal.

HONOURABLE SAUL MILLER

MINISTER OF FINANCE

GOVERNMENT OF MANITOBA

NOTES FOR A STATEMENT ON THE FISCAL ARRANGEMENTS AND SHARED-COST PROGRAM FINANCING

FEDERAL-PROVINCIAL CONFERENCE OF

MINISTERS OF FINANCE

OTTAWA: DECEMBER 6 and 7, 1976

NOTES FOR A STATEMENT ON THE FISCAL ARRANGEMENTS AND SHARED-COST PROGRAM FINANCING

Mr. Chairman:

The provincial position statement on the fiscal arrangements and shared-cost programs which was presented to you by the Treasurer of Alberta represents the result of a concerted effort by the provinces to find common ground in our negotiations and, wherever possible, to accommodate the concerns which have been expressed by the federal government about current financing arrangements.

It is no secret that our position was developed after we were given a fairly clear idea — unofficially, of course — of the terms which the federal government was likely to propose for a settlement. So — the sincerity of our effort to accommodate the federal position should be obvious from the similarities in the details of our suggestions.

It is important to emphasize very strongly, however, that the joint provincial position involves major concessions by the provinces — and certain obvious budgetary risks. It is by no means an "optimum" position from Manitoba's viewpoint. And, it is probably fair to say that no province regards it as an "ideal" solution. *It is very much a compromise and, for Manitoba, represents an absolute minimum set of conditions for new financing arrangements.*

Even if these minimum conditions were agreed to, we believe they could still represent a significant degree of retrenchment by the federal government and could involve, as I said earlier, major losses — or risks of losses — for the provinces.

The Revenue Guarantee

For example, the four points of personal income tax which the provinces believe are necessary as compensation for the termination of the revenue guarantee arrangements represent a *minimum* figure which would still leave us with substantial revenue losses in future years. The appropriate compensation total for next year will be around five points — and in future years even more. But — we are only arguing for four.

In effect, the provinces are simply asking that our present share of the income tax field be returned roughly to where it was in 1971, before "tax reform" reduced our proportion. We are not asking for a greater share — only the share that the current revenue guarantee payments prove is rightfully ours.

And, of course, we still face the problem of the current guarantee arrangements and the revenue losses resulting from a retroactive change in the formula. As I understand it, the federal government has made a slight increase recently in its estimates of provincial entitlements under the "side-by-side" calculation method — the method it wants to adopt to replace the "econometric" method, which it imposed in the first place. But, I also understand that the entitlement figures derived from this latter method are still significantly higher.

Our province believes that the federal government continues to have a moral obligation to move towards a fair compromise settlement of the retroactivity problem. It is not enough to assert that the new calculation methodology is significantly more accurate than the old one. Our technical people have debated that issue for some time, and it now seems clear that there is no "right" or "wrong" formula.

The simple fact is that if the federal government is not prepared to move towards compromise on the retroactivity question, and if it does not provide satisfactory compensation for the termination of the guarantee, then all provinces will face very serious revenue losses next year. If tax increases result, then the federal government will be responsible. It will be appropriating revenues which are rightfully the provinces' and, in so doing, could realize a windfall of close to $1 billion at the expense of provincial taxpayers in 1977 alone. We continue to believe that the federal government has profited from "tax reform", while the provinces have lost. There is already plenty of evidence to support this contention, and if an adequate settlement is not reached on the revenue guarantee issue, our case will be even more clear.

Equalization

Turning to the renewal of the equalization arrangements, it is important, I believe, to point out, as the joint provincial position paper did, that the current federal proposal only represents the provinces' preference from among a rather limited list of options offered for our consideration. In other words, the current proposal is the "best" of a not-particularly-attractive set of alternatives.

Of course, we are relieved that the federal government did not choose to propose a drastic change in the formula — a change which might have cut provincial entitlements dramatically. But, we are nevertheless concerned that some of the so-called "technical" changes it is now suggesting will have very important long-term implications — both with respect to the levels of payments flowing to the less wealthy provinces, and in respect of the principles underlying the equalization formula.

Up until a few years ago, all provincial revenues from the provinces' own sources were included in the equalization formula in accordance with one of the basic principles which the federal government outlined when it first adopted the present arrangements — that is, that all provinces should be guaranteed revenues from all provincial sources which are at least equal to the national average. This was felt to be essential to guarantee that every province had the budgetary capacity to provide reasonably comparable services at reasonably comparable rates of taxation.

But, in 1974, after oil and natural gas revenues began to increase, the federal government imposed an arbitrary limit on the amount of new revenues from these sources to be included in the formula. It argued that if such a limit were not imposed, ultimately the costs of the program could prove prohibitive.

Now, what first was presented as an "emergency" measure, designed to prevent sudden and dramatic increases in costs, is being put forward — with some modifications — for permanent embodiment in the formula. The proposal to equalize 50% of all resource revenues is no less arbitrary than the earlier limit on oil and gas revenues — and it is no more defensible in terms of the fundamental principles upon which the program was based. *The result, quite clearly, will be growing disparities between the budgetary capacities of the above and below average provinces — a problem the equalization formula — in its original form — was supposed to help resolve.*

Another so-called "technical" change proposed for the equalization arrangements involves the treatment of school property taxes. A few years ago, school property taxes were added to the equalization formula, with the suggestion that provinces utilize the additional funds to assist local governments and local taxpayers in their jurisdictions. All provinces welcomed this change, and I assume all

provinces made certain — as Manitoba did — that every penny of the additional funds — and more — went, either directly or indirectly, toward relieving local taxes. Now, however, I am told that a new method is being proposed to calculate school property tax equalization, and that the result could be a substantial drop-off in some provinces' entitlements in respect of this revenue source. *For Manitoba, I understand that the impact may be a reduction in school tax equalization from the present level of over $10 million to a level which is well under $1 million.*

I find it extremely difficult to understand how the federal government could seriously contemplate such a change at a time when local governments across the country are expressing growing concern about their budgetary problems. I would hope that before any changes along these lines are finalized, there will be further consideration at the federal level and further discussions among our officials.

The Established Programs Financing Proposal

Turning now to the established programs financing proposal itself, I feel it is essential to emphasize again that the joint provincial position on this subject represents *a major compromise and accommodation on the part of the provinces.*

Even with equalization of the tax points to the yield of the top province — something which the provinces agree on unanimously — *there would still be risks involved for the provincial governments under the proposed new arrangements.*

Our government is very suspicious of the forecasts prepared by the federal government which purport to show that the provinces would receive more money under the new arrangements than under the current arrangements starting next year. As a former Health Minister, I recall very clearly, as I assume most others here do, that precisely the same kinds of assertions were made by the federal government only a few years ago when it was trying to "sell" the provinces a tax point and cash proposal for Hospital Insurance and Medicare which came to be known as the "Lalonde-Turner Formula". After a long period of double-digit inflation, most provinces, I think, are now very relieved that they decided to reject that particular offer.

I think provincial ministers will also remember some other "numbers games" earlier this year. I have already discussed the revenue guarantee issue, but there was also the $111 million cutback in post-secondary cash advances for 1976/77. I understand that assurances still haven't been given that this cutback will be rectified this year.

I have studied the most recent federal forecasts quite carefully, and I have become increasingly concerned about them. With growing pessimism now evident in most economic forecasts, I wonder if our people should not look again — very carefully — at some of the assumptions they were making about revenues and program trends up to only a few months ago.

If our concerns are borne out, and if provincial program costs do increase more quickly than the optimistic federal forecasts suggest, then we could well face some serious revenue losses. In this connection, I recall that the federal government recognized this potential problem in 1973 when it proposed that a specific "risk-sharing" factor be added to the "Lalonde-Turner" proposal to which I referred earlier. At the time, we felt the proposed risk-sharing formula was inadequate, but at least the problem was acknowledged. In the current proposal, it has been forgotten. Our province would feel a great deal more comfortable about accepting new arrangements if a risk-sharing factor were added. Obviously, no one here can forecast

precisely what will happen to program costs in the next few years. We do not even know yet what will happen to the Anti-Inflation Program, but we do know it is scheduled to be terminated nationally by the end of 1978. If there were to be a major surge in program costs during the period, the new arrangements proposed by the federal government could cause the provinces to have to face the burden almost entirely on their own.

We feel that if the federal government is confident about the accuracy of its arguments that provinces will gain under its proposed new arrangements, it should have no reason to fear the inclusion of a guarantee that provincial revenues in future will be no less than they would have been under current cost-sharing arrangements.

Of course, one protective factor in our favour is a guarantee of full cost-sharing under existing Hospital Insurance arrangements until mid-1980. The potential importance of this guarantee should not be underestimated, and any new or transitional arrangements *must* take it into account.

In a related matter, I believe the provinces will have to look with particular care at the most recent addition to the federal proposal — that is, the tax and cash alternative to the cost-sharing which had previously been promised for lower-cost alternative health services. Our province had already accepted the cost-sharing offer and was anxious to see the new measures implemented — particularly since we had been advised as long ago as January, 1975 that money was in the federal Budget for them.

As I understand it, the new federal offer envisions the termination of some federal contributions under the Canada Assistance Plan for such services and some redirection of support through the proposed new social services legislation. Because of the complexities involved, I am concerned that we not rush too quickly into a decision. Quite clearly, we are dealing here with programming which, in theory at least, is supposed to represent the kinds of measures we should be implementing in order to reduce future program cost escalation in the health field. It is essential that it be funded on a sound basis. Recalling the "Lalonde-Turner" proposal once again, it is important to remember that, under that plan, the federal government promised significant "thrust funds" to encourage new programming of this type. As I recall, the amount of the thrust funds was supposed to be in excess of $600 million for five years. Now we are told that the new offer should yield a much smaller amount — perhaps $200 million to $400 million on a net basis over a similar period.

I should point out that there are major questions in our minds as to the adequacy of this amount. For example, I understand the figure was worked out some time ago in 1974 dollars. I am also told that our own province's expectations for sharing under the extended options, coupled with the C.A.P. replacement funds we stand to lose for nursing homes, far exceed the value of the cash and tax offer. We could stand to lose $15 to $20 million a year at least.

I would hope that there will be an opportunity soon for discussions between federal and provincial health and social development departments in order to clarify the implications of this new addition to the federal offer.

Finally, I would like to deal with the question of the sort of administrative arrangements required to achieve a possible transfer of tax points from the federal government to the provinces. Our experience at the end of 1971 with the "tax reform" income tax rate conversion problem proved to all provinces, I think, that it is not necessarily a simple matter to adjust provincial tax rates in light of federal

changes. There can be a number of technical difficulties, and, again, I think it would be wrong to attempt to hurry the process unduly.

Of course, I can well appreciate why the federal government would be anxious to move quickly on a transfer, since they may well hope to get credit for a "cut" in their own taxes, a "cut" in their expenditures, and "increased" transfers to the provinces, while the provinces take on new taxation responsibility for programs which formerly were financed in a greater degree through the federal treasury. A number of provinces have made the point that we are not afraid of taking more direct responsibility through a tax transfer, but we want to make certain that the transition is achieved fairly, with no anomalous situations for individual taxpayers. I am told that there have been virtually no discussions among our officials on this matter and that, in any case, it is now too late for tax collections to be adjusted for the beginning of 1977. Clearly, there is a need for technical discussions on this subject, and fortunately, there appears to be ample time for a thorough review of the options.

We would also like to begin discussions very soon on the tax collection agreements — a subject which has been somewhat neglected in our negotiations over the past few months. We believe that if the provinces are to take on a larger responsibility for income taxation under new arrangements, they also have a right to expect greater responsibility for decision-making with respect to the structure of the income tax. At the present time, the provinces still have relatively little flexibility in relation to setting tax rates, and they can do nothing about the tax base under our income tax collection agreements. We would like to see this question opened at an early date and feel it should be discussed at the same time as we are considering mechanisms for transferring tax points.

I will look forward to hearing the views of other Ministers on these matters.

Statement on Details of 1977 Manitoba Special Employment Program

Statement on Details of 1977 Manitoba Special Employment Program

Honourable Edward Schreyer

(Hansard — May 4, 1977 — pp. 2688-2692)

Mr. Chairman, on the 22nd of April on the occasion of the bringing down of the Budget by the Minister of Finance, he indicated then that within approximately ten days or so, the government would be introducing a large-scale Job Creation Program, and I can now advise the House of at least the basic parts and details of the said program today.

But before doing so, I think it is important to review some of the developments over the last few months which have made it essential for the province to introduce special employment measures such as we are now proposing at this time. The principal problem in our view has been the failure of the Government of Canada to meet its responsibilities in the face of what has been described by some as one of the worst unemployment situations that Canada has experienced since the thirties. To be fair, there is some argument that the unemployment situation was slightly differently measured in 1958, 1959 and 1960, certainly compared with today. But, I don't propose to comment further as to whether the unemployment situation in Canada today is worse than, the same as, or not quite as bad as it was in 1958, 1959 and 1960. Suffice it to say that it is at a level that should be regarded as unacceptable by all concerned and fair-minded Canadians.

The issue of responsibility cannot be emphasized too strongly. Although provincial governments can and should play a significant role in job creation, the ultimate responsibility for dealing with the economy in a counter-cyclical fashion is that of Canada as a whole, since it possesses the major instruments of fiscal and monetary policy.

With the actual national unemployment rate running over nine percent in Canada, it would be an understatement to say that the March 31 Federal Budget was disappointing. Instead of taking action on a meaningful scale, meaningful in relation to the country, to create jobs, the Federal Government announced only relatively small increases in support for direct employment programs and decided to place most of its emphasis on tax concessions for larger corporations and investors. Even if one does not wish to argue the efficacy of that approach, at least one would think that there could be agreement, quite apart from the merits of that approach, that there is an unacceptably long time lag for that to have any bearing on the circumstances of unemployment in the different regions of Canada this spring and summer.

Therefore, it is with skepticism that we listened to the Federal Government's argument that it could not take further action because to do so might touch off another round of inflation. Unfortunately, that argument ignores the fact that the Canadian economy is now operating — we are told — at something like 20 percent under capacity.

As my colleague, the Minister of Finance said the other day, federal inaction has left us here in Manitoba in what could be described as a "go-it-alone" situation, at least for the period of the next four or five months. I am venturing to say, although I have no proof to offer, that I still believe that the Government of Canada will be introducing a special *ad hoc* Budget in October, or sometime in the autumn, in order to come to grips with the levels of unemployment that prevail today even though for some inexplicable reason, it has chosen to leave that aside between April and October. And so our proposal really has to do with the assumption that some major significant — be it *ad hoc* — Budget measures will be brought in by Canada in the autumn.

Although the unemployment rate in our province remains the third lowest in Canada and significantly below the national average, nevertheless the jobless total, particularly

among certain groups such as young people and womenfolk in the labour force, is at a level which we cannot regard as acceptable. Therefore, we believe it is our responsibility to take action as quickly as possible to deal with this phenomenon.

The groundwork for our government's special employment program was laid down in the recent Budget. In contrast to the budgets of some of the neighbouring provinces, our Budget contains no tax increases. In fact, as members are aware, we were able to introduce a number of tax-reduction measures, measures which will mean an average reduction of about $120 per family in 1977. On the income tax side alone, the reductions will total about $44 million. This does not include our share of the costs of certain of the federal personal and corporate tax deductions which were announced in Ottawa's Budget at the end of March. We estimate the cost in revenue terms for Manitoba of matching those federal reductions at an additional $10 million.

As I have already suggested, Mr. Chairman, tax reductions alone are not sufficient, and even if sufficient in the long run, are not appropriate in the short run in coping with a problem which in many ways is clear and present and with us now. The most effective method of ensuring job creation on a significant scale and the shortest possible lead time is through a direct employment program. Direct job creation measures have demonstrated their value on occasions in the past in Canada and in other countries of the free world. They do put people into a job situation with as short a delay as possible. They do help, by degree at least, to reduce the cost of social assistance and other transfer payments. They do put money into circulation via the unemployed, and generally speaking, via those on somewhat lower income, and in that way stimulating the economy and indirectly assisting business therefore, through purchasing power and purchase orders and helping every person who is already employed indirectly in that fashion; and at the same time as doing this, helping to provide additional municipal and community buildings, infrastructure or enhancing services through additional service personnel in hospitals, nursing homes, day-care centres and related humanitarian services. They guarantee that the work which is done will be directed towards higher priority socially-useful purposes. I am prepared to contend that direct employment programs to the extent we have attempted it in the past, have served us well here. Indeed right now, several such are already under way.

The Manitoba Special Municipal (foregiveable) Loans Fund which was introduced in 1972 has had a significant practical effect during the past four years, not only in providing employment, but also in making it possible for municipalities to build recreation facilities, to pave roads, upgrade senior citizen centres and to construct much needed municipal infrastructure. Nearly the entire amount of $14 million allocated in the first round of the forgiveable loans fund has been committed. About a month ago, I announced on behalf of my colleagues a second round of the program with $10 million allocated for projects which could be completed before March 31, 1979, with an additional $5 million bringing it up to $15 million with respect to a three-year round ending March 31, 1980. Numerous applications have already been received and more are being received daily at the Provincial Job Office.

In December, 1976, in recognition of the unemployment situation in the core area of Winnipeg, the province initiated an Inner-City Employment Program also oriented to provide the impetus for long-term employment with an initial budget of $1 million. Approximately 30 projects have been approved or are in the process of being reviewed.

Then of course, although it is not explicitly included here, the Critical Home Repair Program remains in effect, providing both jobs and improved housing for pensioners and others with low and moderate incomes through a combination of loans and grants. In the 20-month period from September 1975, when the Pensioners' Home Repair Program was

expanded into a larger setting, Critical Home Repair Program, to April of this year, over 14,000 applications have been received. Of these this 14,000, 8,000 have already been approved with an expenditure of about $7.1 million.

Critical repairs in order of frequency include roofing, insulation, heavy construction, windows and doors, heating, wiring, eavestroughing and really a much wider, less frequent, broader category of repairs to older houses which are perfectly habitable if given timely repair. It is estimated that about 175 applications are received weekly.

At the conclusion of this statement, I will table Supplementary Expenditure Estimates to provide up to a further $33.5 million for job creation this year. The program, I must point out, will be in two stages, or phases, since we cannot presume to so finely tune and second-guess the activity of the economy as a whole, both in the province and in the national context. Accordingly, we are proceeding with Phase I which is a matter of commitment and the balance of $13 million of the $33 million is being requested as authority, and being held, however, on short-term reserve until such time as we can obtain a further reading in May, and even early June, before committing if necessary to commit, the remaining $13 million.

On that basis then, we are proposing, within the context of Phase I of this program:

- $500,000 additional for the Inner City Employment Program;
- an additional $1 million will be made available to the Manitoba Housing and Renewal Corporation to renovate existing public housing stock — I might add that it is understood and expected to receive federal cost-sharing in the normal way for this item;
- $2 million will be allocated for a departmental job creation program in recognition of the unemployment situation among students, in particular, and young people, even though non-student, they may be non-students perhaps. A number of departments of government, not all, but a number of departments of government, such as Highways, Tourism and Recreation, Public Works, will hire up to 1,000 such younger persons on a three to fourth month basis. This component of the job creation program is intended to recognize the seriousness of unemployment, particularly among young women and other youth between the ages of 17 to 24. This, I might add, is in addition to the regular Student Temporary Employment Program which has been formally underway in this province for some time.
- $2 million will be provided for local government, that is to say municipal or local government improvements, as judged by them at the local level as having priority, and community clean-up projects. This will finance grants to municipalities up to a maximum of $20,000 to employ persons to repair and renovate municipally-owned facilities and extend municipal services. Persons must be employed for a minimum of three months. The spruce-up or clean-up component provides up to a maximum of $2.00 *per capita* for a variety of such ancillary and related programs.
- $2 million will be available for institutional employment and by this I mean through the Manitoba Hospital Commission, Public School Finance Board, grants will be available to hospitals, school districts — you can think in terms as well of nursing homes and day-care centres — to employ persons for a minimum of three months to extend a variety of services provided by these institutions, as well as upgrade facilities.
- An amount in the order of $1 million to $2 million will be allocated to the Department of Agriculture for special measures relative to the current drought situation and other areas of concern. I may add, although it hardly needs stating the

obvious, that this amount may have to be further increased should major scale transfer of feed or of cattle to emergency unfenced pasture or grazing lands prove to be necessary. I refer to the combination of transportation, and the logistics involved with that, of emergency fencing and the labour that is involved with that or the possibility of a combination of fencing and cattle tending. If any honourable gentlemen opposite wish to enroll in a crash course in how to ride and rope and lasso, then we are providing funds here to cover such eventualities.

Mr. Chairman, I say it admittedly in a bantering way, but who knows but that indeed we may unfortunately have to get serious about the possibility of making all kinds of contingency arrangements which, for the moment, may seem almost amusing and hopefully completely unnecessary.

- I go on now to make reference also to a provision of funds for the acceleration of capital works projects since the timing of capital works, principally through the Department of Public Works, has been such as to try to proceed on a more normal measured pace. There is, nevertheless, capacity to advance some of the more major construction given that architectural design and planning have been taking place on a contingency basis for shelving for future eventuality. To this, we allocate an amount in the order of $6 million.
- In addition, $2 million will be allocated for community and local private, non-profit organization sponsored projects. This component will provide grants for community organizations to employ persons in such areas as maintenance, clean-up, minor renovation to recreation facilities, senior citizen and other services.
- $3 million will be requested to finance a Special Incentive Program for small business. This component will provide assistance to employ one or two persons to small business in Manitoba with less than 50 employees, with the emphasis to those employing 20 persons or less, in the first stage. The maximum provincial assistance will be $250 per man-month up to a maximum of $1,000 per person thus employed in the period between May and October. The objective is to provide employment opportunity for school leavers and other unemployed youth and, indeed, another group we must not forget, those who would be in the age category of 55 and over. This is an indicative guideline and not to be interpreted as rigid.

Also, we hope that this can relate in, at least some small modest way, to the possibility of bringing together the needs of small business in terms of ancillary or additional help or manpower with those I have mentioned, but also including the handicapped and others having difficulty finding employment. Eligibility guidelines have been established and will be included with the application forms and informational brochures which will be made available through the Department of Industry and Commerce in the first instance. Further details of these programs will be available through the Provincial Job Office and, as I have just finished saying, in the case of small business, assistance program from the Department of Industry and Commerce.

As was noted in the Budget, the target time frame for the overall program is the period from mid-May through mid-September and, this too, is indicative and not rigid.

I already explained as well that our 1977 Special Employment Program will be in two phases. The first phase involving expenditures of about $20 million will begin, so to speak, almost immediately. For the second phase, we are proposing a requested contingency allowance of $13.5 million. This second phase, I emphasize again, may or may not be required at all. But, of course, without the authority, it is impossible to proceed on that kind of backup capacity to meet contingency basis. The decision as to whether or not to proceed with the second phase of the program will be made, and can be made, in early

June when the unemployment data for May are released, and when there is further insight into the unfolding of the Canadian economy's performance going into the prime season, or into the Canadian summer.

Because of the timing of the labour force survey, the figures for May which are published in June, are not likely to reflect the impact of the first phase of our special efforts here which I am just detailing. Nevertheless, this data should provide useful information on the underlying employment trends as we enter into the summer. In addition, by mid-June we should also have available a preliminary assessment of the first phase of our program, and a clear picture of the initial response to the various components. And, here I again pause to add simply this, that while we are reasonably sure of the efficacy of each of the components, for some there may be a far better response and practical implementation than for others, which is yet another reason for having this division into phases I and II.

Contrary to what some members opposite may have tried to suggest in recent days, these will be productive jobs, tangible jobs, and a significant number of these, we hope, will be in the private sector. In addition, there will be a substantial stimulative effect for business, through the extra wages and related expenditures which this program will generate through the so-called multiplier effect. Of course, we aren't certain of the extent of the so-called multiplier effect, but it exists.

The $33.5 million total Supplementary Expenditure authority required for the two phases of our Special Employment Program will be not perfectly, but fairly evenly, divided, as between Current and Capital Accounts; $16.5 million of this amount will be in Current Expenditures, or Current Account, and $17 million to the Capital Authority requirements for 1977-78.

We feel that this is a manageable amount and one which is appropriate, given the current economic circumstances in the country and the province. We anticipate no great difficulties in financing the Job Creation Program. We expect that the economic activity it will generate will yield added revenues to reduce the size of the deficit during the year.

Clearly this is viewed from certain perspectives as an investment in the future of our province, an investment that will pay dividends in the form of new jobs and also dividends in the form of new or improved or enhanced facilities. And certainly, in the short run, enhancement of services, which short run, we hope, will be replaced by a different and more favourable climate in Canada and, if necessary, that brought about by some auxiliary effort, special effort, by Canada by means of a special Budget in the autumn of this year.

In the months ahead we will be monitoring the unemployment situation as best we can. A few weeks ago, and this is the basis for my saying what I said, with respect to an autumn Budget, the Federal Government stated that if the national situation had not improved by fall it would consider taking special action at that time. In the meantime, the Province of Manitoba will be pressing the federal authorities on this point and will urge that it announce its intentions at the earliest possible opportunity to permit rational planning and optimum co-ordination between federal-provincial job creation measures.

We will be assessing our own program in light of the federal response. We believe Ottawa will want to make a choice to live up to its responsibility more fully at that time. However, if it does not, we here in Manitoba remain prepared to take whatever action we reasonably can to protect the incomes and the jobs of the citizens of our province, and to attempt to keep Manitoba at employment levels which, in proportion, will be among the best in Canada.

THE SPECIAL EMPLOYMENT PROGRAM, 1977
of the PROVINCE OF MANITOBA
For the Fiscal Year Ending March 31, 1978

SCHEDULE A (Current)

Appropriation No.	SERVICE	Details of Appropriations	Resolution No.
	SPECIAL EMPLOYMENT PROGRAM, 1977 (XXIV)		
1.	Special Employment Program, 1977	$16,500,000	1

SCHEDULE B (Capital)

Special Employment Program, 1977	$17,000,000
TOTAL	$33,500,000

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